

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

_____)	
In the Matter of:)	
)	
Nadav Sapeika)	File No. 12-0007
1 State Street Plaza, 10 th Floor)	
New York, NY 10004)	
)	
Respondent)	
_____)	

DECISION ACCEPTING OFFER OF SETTLEMENT

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 (“Respondent”), Nadav Sapeika (“Sapeika”), 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 17.8, 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, Sapeika was the Chief Operating Officer and an associated person¹ of T3 Trading Group, L.L.C. (“T3 Trading”). T3 Trading is a registered broker dealer and an effective Trading Permit Holder of the CBOE Stock

¹ Person associated with a broker or dealer as defined in the Securities Exchange Act of 1934, as amended, Section 3(a)(18).

Exchange (“CBSX”). Sapeika is currently acting as the Chief Financial Officer of T3 Trading.

2. During all relevant periods herein, Exchange Rule 4.1 – Just and Equitable Principles of Trade, was in full force and effect. Exchange Rule 4.1 provides, in relevant part, “No Trading Permit Holder shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Trading Permit Holders shall have the same duties and obligations as Trading Permit Holders...”
3. In or about May 2011, Sapeika established a LinkedIn profile reflecting an alias name, Jayson Malkin (“alias LinkedIn profile”), that was substantially similar to Jason Malkin, the Managing Member of Chimera Securities, L.L.C. (“Chimera”). Jason Malkin is also the Chief Compliance Officer and co-Chief Executive Officer of Chimera, a CBSX Permit Holder and a competitor of T3. The employment information reflected in the alias LinkedIn profile was substantially similar to that of Jason Malkin of Chimera.
4. In or about May 2011, Sapeika established an email address reflecting an alias name, Jayson Malkin, that was substantially similar to Jason Malkin of Chimera (“alias email address”).²
5. On or about May 31, 2011, Sapeika sent an email from the alias email address to a representative of the trading platform vendor, Lightspeed, for the issuance of a Lightsource user administrative identification in the Lightspeed trading platform, to grant login access that had the same permissions as a “Jayson” Malkin (Jason Malkin), the Managing Member of the competitor organization. (“May 31st email”). The type of user identification requested would have given Sapeika administrative rights to the competitor’s trading platform. With this access Sapeika could have, among other things: (i) set buying power and other risk parameters in the system; and (ii) reviewed positions, and trading history of the competitor’s users.
6. On or about June 1, 2011, Sapeika sent a follow up email from the alias email address to the same representative at Lightspeed seeking feedback on the May 31st email, as described in Paragraph 5 above.
7. On or about June 2, 2011, Sapeika sent an email from the alias email address to a second representative of the trading platform vendor, Lightspeed, for the issuance of a Lightsource user administrative identification in the Lightspeed trading platform, to grant login access that had the same permissions as a “Jayson” Malkin (Jason Malkin), the Managing Member of the competitor organization.

FINDINGS

The acts, practices and conduct described in each of Paragraphs 3 through 7 of the Statement of Charges constitute a violation of Exchange Rule 4.1, by Sapeika, in that Sapeika used alias email address to representatives of the trading platform vendor, Lightspeed, for the issuance of a Lightsource user administrative identification in the Lightspeed trading platform, to grant login

² The alias email address was Jayson.Malkin@yahoo.com.

access that had the same permissions as a “Jayson” Malkin (Jason Malkin), the Managing Member of the competitor organization.

SANCTION

The sanction to be imposed shall consist of a: (i) Censure; (ii) Respondent is suspended for 90 consecutive days from association with a Trading Permit Holder or TPH organization; (iii) Respondent shall be subject to special supervision for 2 years by any Trading Permit Holder or TPH organization with which Respondent is acting as an associated person (the associated Trading Permit Holder must file a plan with the Exchange that is acceptable to the Exchange prior to such association); and (iv) Respondent must complete an Ethics class that is acceptable to the Exchange within 90 days from the issuance of the decision.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Nadav Sapeika shall be and hereby is censured, suspended for 90 consecutive days from association with a Trading Permit Holder or TPH organization, subject to special supervision for 2 years by any Trading Permit Holder or TPH organization with which Respondent is acting as an associated person (the associated Trading Permit Holder must file a plan with the Exchange that is acceptable to the Exchange prior to such association) and must complete an Ethics class that is acceptable to the Exchange within 90 days from the issuance of the decision.

**SO ORDERED
FOR THE COMMITTEE**

Dated: January 28, 2013

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