

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

_____)	
In the Matter of:)	
)	
Woodmere Trading, L.L.C.)	
55 Broad Street, 14 th Floor)	File Nos. 12-0031 and 12-0050
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”), Woodmere Trading, L.L.C. (“Woodmere”), 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, Woodmere was a Trading Permit Holder of the CBOE Stock Exchange (“CBSX”) registered to conduct a proprietary trading business in stocks.¹
2. During all relevant periods, Woodmere was acting as a registered broker-dealer.

¹ _____
Woodmere terminated its Trading Permit Holder status on October 3, 2011.

3. During all relevant periods herein, Exchange Rules 3.6A – Qualification and Registration of Trading Permit Holders and Associated Persons, 4.2 – Adherence to Law and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information; and Rule 15c3-5 – Risk Management Controls for Brokers or Dealers with Market Access under the Securities and Exchange Act of 1934, as amended (the “Act”) were in full force and effect.
4. In or about July 2011, the Exchange conducted a routine financial and operational examination of Woodmere that included, but was not limited to, a review of Woodmere’s compliance with the Exchange’s registration requirements.
5. Pursuant to Exchange Rule 3.6A, individual Trading Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. Before the registration can become effective, the individual Trading Permit Holder or individual associated person shall submit the appropriate application for registration, pass a qualification examination appropriate to the category of registration as prescribed by the Exchange.²
6. In addition, Exchange Rule 3.6A provides, in relevant part, “each Trading Permit Holder and TPH organization that is a registered broker-dealer shall designate a Chief Compliance Officer on Schedule A of Form BD.”
7. Woodmere failed to register three appropriate individuals as Approved Persons by the required date of January 11, 2011.
8. In addition, Woodmere failed to identify a Chief Compliance Officer on its Form BD in a timely manner.
9. In or about August 2011, the Exchange conducted a Market Access Review of Woodmere that included, but was not limited to, a review of Woodmere’s compliance with Rule 15c3-5 under the Act.
10. Pursuant to Rule 15c3-5 under the Act, “a broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through the use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.”
11. In or about August 2011, Woodmere failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the regulatory and other risks of this business activity, as set forth in Rule 15c3-5.

² See Securities Exchange Act Release No. 63314 (November 12, 2010), 75 FR 70957 (November 19, 2010) (SR-CBOE-2010-084), which provides, in relevant part, “CBOE and CBSX will require all individual TPHs and individual associated persons not already registered in WebCRD to register under Rule 3.6A within 60 days of the date of this Order (January 11, 2011). Also See: CBOE Regulatory Circular RG10-120.

FINDINGS

The acts, practices and conduct described in Paragraph 7 above constitute a violation of Exchange Rule 3.6A by Woodmere, in that Woodmere failed to register three appropriate individuals as Approved Persons by the required date of January 11, 2011.

The acts, practices and conduct described in Paragraph 8 above constitute a violation of Exchange Rules 3.6A and 15.1 by Woodmere, in that Woodmere failed to identify a Chief Compliance Officer on its Form BD in a timely manner.

The acts, practices and conduct described in Paragraph 11 above constitute a violation of Exchange Rule 4.2 and Rule 15c3-5 under the Act by Woodmere, in that Woodmere failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the regulatory and other risks of this business activity.

SANCTION

The sanction to be imposed shall consist of a \$10,000 fine and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Woodmere Trading, L.L.C. shall be and hereby is censured and fined in the amount of ten thousand dollars (\$10,000).

**SO ORDERED
FOR THE COMMITTEE**

Dated: September 24, 2012

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