

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

_____)	
In the Matter of:)	
)	
Belvedere Trading, L.L.C.)	Consolidated
10 S. Riverside Plaza, Suite 2100)	File Nos. 12-0058 and 12-0077
Chicago, IL 60606)	
)	
Respondent)	
_____)	

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”), Belvedere Trading, L.L.C. (“Belvedere”), 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, Belvedere was a CBOE Trading Permit Holder that conducts a market-maker and proprietary trading business in stocks, options and futures.
2. During all relevant periods in which the activity noted below occurred, Belvedere was acting as a registered broker-dealer.

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 Section 17(a) Securities and Exchange Act of 1934, as amended (the “Act”) and Rule 17a-4 - Records to be Preserved by Certain Exchange Members, Brokers and Dealers thereunder, were in full force and effect.
4. In or about November 2011, the Exchange conducted a Routine Financial and Operational Examination of Belvedere that included, but was not limited to, a review of Belvedere’s policies, procedures, and practices for its books and records and electronic communication storage.
5. In 2011, the Exchange conducted an Associated Persons Sweep Examination of Belvedere concerning registration requirements of Rule 3.6A.
6. Pursuant to Exchange Rule 3.6A(c), “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. Belvedere failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner.¹
8. Prior to September 2011, Belvedere failed to maintain some of its electronic communications, including instant messages, in a Write Once – Read Many (“WORM”) format. Belvedere also failed to obtain a third party undertaking letter from one of its vendors pertaining to the use of its electronic communications.

FINDINGS

The acts, practices and conduct described in Paragraph 7 above, constitute a violation of Exchange Rules 3.6A(c) and 15.1, by Belvedere, in that Belvedere failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner.

The acts, practices and conduct described in Paragraph 8 above, constitute a violation of Exchange Rules 4.2 and 15.1; Section 17(a) of the Act and Rule 17a-4 thereunder, by Belvedere, in that Belvedere failed to maintain some of its electronic communications, including instant messages, in a Write Once – Read Many (“WORM”) format. Belvedere also failed to obtain a third party undertaking letter from one of its vendors pertaining to the use of its electronic communications.

SANCTION

The sanction to be imposed shall consist of a \$12,500 fine and a censure.

¹ Belvedere designated its Chief Compliance Officer on Schedule A of Form BD on September 1, 2011.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent/Subject, Belvedere Trading, L.L.C. shall be and hereby is censured and fined in the amount of twelve thousand five hundred dollars (\$12,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: December 20, 2012

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