

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

_____)
In the Matter of:)
)
WTS Proprietary Trading Group, LLC)
100 Fifth Avenue, 7th Floor) File No. 13-0030
New York, NY 10011)
)
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”), WTS Proprietary Trading Group, LLC (“WTS”), 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, WTS was a CBOE Stock Exchange, LLC (“CBSX”) Trading Permit Holder that was registered to conduct a proprietary trading business in equities.
2. During all relevant periods in which the activity noted below occurred, WTS 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, 4.18 – Prevention of the Misuse of Material, Nonpublic Information, 15.1 – Maintenance Retention and Furnishing of Books, Records and Other Information, 17.2(b) – Requirement to Furnish Information; and Section 17(a) of the Securities Exchange Act of 1934, as amended (the “Act”) and Rules 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers and 17a-4 – Records to be Preserved by Certain Exchange Members, Brokers and Dealers thereunder, were in full force and effect.
4. In or about December 2011, the Exchange conducted a routine financial and operational examination of WTS. This examination included, but was not limited to, WTS’ compliance with registration requirements, a review of WTS’ Insider Trading Program and WTS’ practices for its books and records and electronic communication storage.
5. During the approximate period from on or about December 16, 2011 through on or about April 16, 2012, WTS impeded and delayed the Exchange’s examination in that it failed to provide a Regulation SHO trade blotter in a timely manner in a format that a markings analysis could be performed and failed to provide evidence to support its review of its Regulations SHO markings program.
6. During the approximate period of on or about December 16, 2011 through on or about August 29, 2012, WTS failed to obtain and evidence its review of the personal brokerage account statements for 5 of 351 accounts disclosed for the period of September 2011 through November 2011. In addition, during the approximate period of on or about December 16, 2011 through on or about April 19, 2012, WTS failed to obtain and evidence its review of the personal brokerage account statements for 18 of 351 accounts disclosed for the period of September 2011 through November 2011. WTS also failed to evidence the date of review for 67 of 307 outside brokerage account statements. Additionally, 3 of the 117 Associated Persons¹ of WTS that disclosed brokerage accounts failed to provide an account number on the disclosure form.
7. Rule 3.6A(a) provides, in relevant part, that “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.”²
8. As of approximately November 30, 2011, WTS failed to properly register 9 out of 146 Associated Persons as a Proprietary Trader (PT) in WebCRD.

FINDINGS

The acts, practices and conduct described in Paragraph 5 above constitute a violation of Exchange Rule 17.2(b), by WTS, in that WTS impeded and delayed the Exchange’s examination in that it

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

² See CBOE Regulatory Circulars RG11-077 and RG11-131.

failed to provide a Regulation SHO trade blotter in a timely manner in a format that a markings analysis could be performed and failed to provide evidence to support its review of its Regulation SHO markings program.

The acts, practices and conduct described in Paragraph 6 above constitute a violation of Exchange Rules 4.2, 4.18, 15.1; Section 17(a) of the Act and Rules 17a-3 and 17a-4 by WTS, in that WTS (i) failed to obtain and evidence its review of the personal brokerage account statements for 5 of 351 accounts disclosed until August 29, 2012; (ii) failed to obtain and evidence its review of the personal brokerage account statements for 18 of 351 accounts disclosed until on or about April 19, 2012; (iii) failed to evidence the date of review for 67 of 307 outside brokerage account statements; and (iv) failed to obtain an account number on the brokerage account disclosure forms for 3 of the 117 Associated Persons that disclosed brokerage accounts.

The acts, practices and conduct described in Paragraph 8 above constitute a violation of Exchange Rule 3.6A by WTS, in that WTS failed to properly register 9 out of 146 Associated Persons as a Proprietary Trader (PT) in WebCRD.

SANCTION

The sanction to be imposed shall consist of a \$20,000 fine and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, WTS Proprietary Trading Group, LLC shall be and hereby is censured and fined in the amount of twenty thousand dollars (\$20,000).

**SO ORDERED
FOR THE COMMITTEE**

Dated: November 13, 2013

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