

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

In the Matter of:)	
)	
Saagar Gupta)	File No. 13-0054a
195 Hudson Street, Apt. 4A)	
New York, NY 10013)	
)	
)	
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”), Saagar Gupta (“Gupta”), 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 his 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, HAP Trading, LLC (“HAP”) was a TPH organization of the Exchange registered to transact business on the Exchange in accordance with Exchange Rules as a Market-Maker.¹

¹ On or about June 18, 2010, CBOE restructured from a non-stock corporation to a stock corporation and wholly-owned subsidiary of CBOE Holdings, Incorporated. As a result of this demutualization, CBOE modified its rules to reflect changes to references in the rules from “member” to “Trading Permit Holder” and from “member organization” to “TPH organization.” (See Securities Exchange Act Release No. 62382 (June 25, 2010), 75 FR 38164 (July 1, 2010) (SR-CBOE-2010-058)). During all relevant periods of this investigation, HAP Trading, LLC was a member

2. During all relevant periods in which the activity noted below occurred, HAP was acting as a registered broker-dealer.
3. During all relevant periods herein, Gupta was an Associated Person² of HAP and employed as a proprietary trader of HAP.
4. During all relevant periods herein, Exchange Rules 4.1 – Just and Equitable Principles of Trade and 4.7 – Manipulation were in full force and effect.
5. Exchange Rule 4.1 provides: “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 under the Rules of this Chapter.”
6. Exchange Rule 4.7(a) provides, in relevant part, that no “...Trading Permit Holder shall effect or induce the purchase, sale or exercise of any security for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security for the purpose of making a price which does not reflect the true state of the market in such security or in the underlying security.”
7. During the approximate time period from in or about May 2010 through in or about July 2010, on multiple occasions and on multiple trade dates, Gupta, on behalf of HAP, engaged in a course of conduct whereby Gupta, for the purpose of making a price which did not reflect the true state of the market in such securities, purchased or sold numerous shares of securities, which unduly or improperly influenced the market price of the underlying securities and the corresponding options contracts. Subsequently, Gupta purchased or sold numerous corresponding options contracts, resulting in Gupta’s and HAP’s inappropriate capitalization on the price movement in the corresponding options.

FINDINGS

The acts, practices and conduct described in Paragraph 7 above constitute a violation of Exchange Rules 4.1 and 4.7 by Gupta, in that Gupta, on behalf of HAP, on multiple occasions and on multiple trade dates, engaged in a cross-product manipulation whereby Gupta, for the purpose of making a price which did not reflect the true state of the market in such securities, purchased or sold numerous shares of securities, which unduly or improperly influenced the market price of the underlying securities and the corresponding options contracts for the purpose of making a price which did not reflect the true state of the market in such securities. Subsequently, Gupta purchased or sold numerous corresponding options contracts, resulting in Gupta’s and HAP’s inappropriate capitalization on the price movement in the corresponding options.

organization or a TPH organization subject to the jurisdiction of the Exchange. All references to TPH organization or Trading Permit Holder, shall also mean member or member organization.

² Person associated with a broker or dealer as defined in the Securities Exchange Act of 1934, as amended, Section 3(a)(18).

SANCTION

The sanction to be imposed shall consist of:

- 1) A total fine of \$250,000 (\$100,000 shall be payable to CBOE);³
- 2) A censure; and
- 3) A three consecutive month suspension of Gupta from acting as a Trading Permit Holder or associating with an Exchange Trading Permit Holder or TPH organization.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Saagar Gupta shall be and hereby is censured and fined in the amount of two hundred fifty thousand dollars (\$250,000), of which one hundred thousand dollars (\$100,000) is payable to CBOE. In addition, Saagar Gupta shall be and hereby is suspended from acting as a Trading Permit Holder or associating with an Exchange Trading Permit Holder or TPH organization for three (3) consecutive months.

**SO ORDERED
FOR THE COMMITTEE**

Dated: May 12, 2014

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

³ The Offer of Settlement was negotiated jointly by CBOE and FINRA (acting on behalf of Nasdaq OMX PHLX, Inc., NYSE MKT LLC and NYSE Arca, Inc.). The acceptance of the Offer of Settlement was contingent upon approval by the applicable self-regulatory organizations.