

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

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In the Matter of:)
)
Coastal Trade Securities, LLC)
51 JFK Parkway, Suite 230)
Short Hills, NY 07078)
)
and)
)
Christopher M. Apolito)
32 Highland Dr.) File No. 14-0023
North Caldwell, NJ 07006)
)
and)
)
Michael R. McGovern)
1745 Midland Drive)
East Meadow, NY 11554)
)
)
Subjects)
_____)

DECISION ACCEPTING 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 examination by the staff of the Exchange. In order to resolve this matter, the subjects, Coastal Trade Securities, LLC, Christopher M. Apolito and Michael R. McGovern have submitted a Letter of Consent. Such Letter of Consent was submitted solely for the purposes of this proceeding without admitting or denying that a violation of Exchange Rules has been committed. With due regard to the stipulated facts and findings and the proposed sanction contained therein, the Committee believes it is appropriate to accept the Letter of Consent for File No. 14-0023 which is attached to and made a part of this Decision.

SO ORDERED
FOR THE COMMITTEE

Dated: June 27, 2014

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

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LETTER OF CONSENT

In order to resolve this proceeding pursuant to Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”) Rule 17.3, Expedited Proceeding, the Subjects, Coastal Trade Securities, LLC (“Coastal”), Christopher M. Apolito (“Apolito”) and Michael R. McGovern (“McGovern”), hereby submit this Letter of Consent in the above-captioned matter. Only for purposes of this proceeding and without admitting or denying that a violation of Exchange Rules has been committed, Coastal, Apolito and McGovern consent to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, Coastal was a Trading Permit Holder of the CBOE Stock Exchange (CBSX), registered to conduct a proprietary trading business in stock, options and financial futures.
2. During all relevant periods herein, Coastal was acting as a registered broker-dealer.¹
3. During all relevant periods herein, Apolito was an Associated Person² of Coastal, acting as its Managing Director.

¹ Coastal filed a full broker-dealer withdrawal (“BDW”) with the SEC on June 24, 2013.

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

4. During all relevant periods herein, McGovern was an Associated Person of Coastal, acting as its Financial and Operations Principal (“FINOP”) of Coastal.
 5. During all relevant periods herein, Exchange Rules 4.2 - Adherence to Law, 13.1 – Minimum Requirements and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information; Section 15(c) of the Securities Exchange Act of 1934, as amended (the “Act”) and Rule 15c3-1 – Net Capital Requirements for Broker-Dealers thereunder; and Section 17(a) of the Act and Rules 17a-3 – Records to be made by Certain Exchange Members, Brokers and Dealers and 17a-5 – Reports to be made by Certain Brokers and Dealers thereunder, were in full force and effect.
 6. The Exchange conducted a financial investigation and review of Coastal’s net capital compliance that focused on August 2012 through April 2013.
 7. During all relevant periods herein, broker dealers computing net capital pursuant to the basic method as set forth under Section 15(c) of the Act and Rule 15c3-1 thereunder were required to maintain a minimum net capital requirement of the greater of 6 2/3% of aggregate indebtedness or \$100,000.
 8. During all relevant periods herein, Coastal elected to compute its net capital using the basic method set forth under Section 15(c) of the Act and Rule 15c3-1 thereunder.
 9. From in or about August 2012 through in or about April 2013, on numerous days, Coastal operated while below the minimum net capital requirements.
 10. From in or about August 2012 through in or about April 2013, Coastal and Apolito failed to assure that Coastal was in compliance with the minimum net capital requirements on numerous days.
 11. From in or about August 2012 through in or about April 2013, McGovern, as Coastal’s FINOP, failed to assure that Coastal was in compliance with the minimum net capital requirements on numerous days.
 12. The acts, practices and conduct described in Paragraph 9 above constitute a violation of Exchange Rules 4.2, 13.1 and 15.1; Section 15(c) of the Act and Rule 15c3-1 thereunder, and Section 17(a) of the Act and Rules 17a-3 and 17a-5 thereunder by Coastal, in that Coastal operated while below the minimum net capital requirements.
 13. The acts, practices and conduct described in Paragraph 10 above constitute a violation of Exchange Rule 4.2 by Coastal and Apolito, in that Coastal and Apolito failed to assure that Coastal was in compliance with the minimum net capital requirements on numerous days.
 14. The acts, practices and conduct described in Paragraph 11 above constitute a violation of Exchange Rule 4.2; and Section 15(c) of the Act and Rule 15c3-1 thereunder by McGovern, in that McGovern, as Coastal’s FINOP, failed to assure that Coastal was in compliance with minimum net capital requirements on numerous days.
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Sanction: A \$30,000 joint and several fine of Coastal, Apolito and McGovern and a censure of Coastal, Apolito and McGovern.

Subjects acknowledge that they have read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to them by the Exchange or its staff, and that this Letter of Consent is voluntary on their part.

Subjects understand and acknowledge that the Committee's decision in this matter will become part of their disciplinary record and may be considered in any future Exchange proceeding.

Subjects also acknowledge that the Committee's decision to accept or reject this Letter of Consent is final, and that they may not seek review thereof in accordance with Exchange Rule 17.3.

Dated: June 10, 2014

By: /s/ Coastal Trade Securities, LLC
Coastal Trade Securities, LLC

Dated: June 10, 2014

By: /s/ Christopher M. Apolito
Christopher M. Apolito

Dated: June 6, 2014

By: /s/ Michael R. McGovern
Michael R. McGovern