

**BEFORE THE BUSINESS CONDUCT COMMITTEE**  
**OF THE**  
**CBOE EXCHANGE, INC.**

_____	)	
In the Matter of:	)	
	)	
Charles Schwab & Co., Inc.	)	File No. 18-0014
211 Main Street	)	STAR No. 20150455238
San Francisco, CA 94105	)	
	)	
Subject	)	
_____	)	

**DECISION ACCEPTING LETTER OF CONSENT**

This proceeding was instituted by the Business Conduct Committee (the “Committee”) of the Cboe Exchange, Inc. (the “Exchange”) as a result of an investigation by the staff of the Exchange. In order to resolve this matter, the subject, Charles Schwab & Co., Inc. has 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. 18-0014 (STAR No. 20150455238) which is attached to and made a part of this Decision.

**SO ORDERED  
FOR THE COMMITTEE**

**Dated: August 30, 2018**

**By: /s/ Richard Bruder**  
**Richard Bruder**  
**Chairman**  
**Business Conduct Committee**

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211 Main Street	)	STAR No. 20150455238
San Francisco, CA 94105	)	
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Subject	)	
	)	

**LETTER OF CONSENT**

In order to resolve these proceedings pursuant to Cboe Exchange, Inc. (the “Exchange”) Rule 17.3 – Expedited Proceeding, the Subject, Charles Schwab & Co., Inc. (“Charles Schwab” or the “Firm”), hereby submits 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, Charles Schwab consents to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, the Subject, Charles Schwab, was an Exchange Trading Permit Holder approved to transact business with the public.
2. During all relevant periods herein, Charles Schwab was acting as a registered Broker-Dealer.
3. During all relevant periods herein, Exchange Rules 4.2 – Adherence to Law, 4.13 – Reports Related to Position Limits, and 4.24<sup>1</sup> – Supervision were in full force and effect.
4. Exchange Rule 4.13 provides, in relevant part that, “In a manner and form prescribed by the Exchange, each Trading Permit Holder shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of option contracts comprising each such position and, in the case of short positions, whether covered or uncovered.”
5. From on or about January 19, 2010 through in or around August 2015, Charles Schwab reported invalid or truncated account names to the Large Options Position Report (“LOPR”) in approximately 19,979,529 instances.
6. From on or about January 19, 2010 through in or around August 2015 Charles Schwab submitted records to the LOPR with an invalid street address or city in approximately 620,282 instances.

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<sup>1</sup> Exchange Rule 4.24 became effective in March 2014. Prior to the implementation of Rule 4.24, failure to implement reasonable supervisory procedures was addressed under Exchange Rule 4.2.

7. From on or about January 19, 2010 through in or around February 2015 Charles Schwab submitted records to the LOPR with a Tax ID of zero and no postal code for foreign accounts in numerous instances.
8. From in or around April 2015 through in or around December 2016 Charles Schwab failed to accurately report on standard and weekly expirations in approximately 4,344 instances.
9. For two standard expirations, February 20, 2015 and March 20, 2015, Charles Schwab failed to report or failed to accurately report LOPR records for 367 positions.
10. From on or about January 19, 2010 through in or around April 2015 Charles Schwab failed to report or failed to accurately report LOPR records for approximately 19,000 positions in weekly expirations to the LOPR.
11. From in or around January 2015 through in or around February 2015, Charles Schwab failed to accurately report two positions with the correct effective dates.
12. From on or about January 19, 2010 through in or around December 2016, Charles Schwab failed to reasonably supervise its LOPR reporting activity so as to ensure compliance with Exchange Rule 4.13, which resulted in numerous LOPR reporting violations.
13. From on or about January 19, 2010 through in or around December 2016 Charles Schwab failed to establish supervisory systems, including written supervisory procedures and a separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rule 4.13 governing reporting options positions to the LOPR, which resulted in numerous LOPR reporting violations.
14. The acts, practices, and conduct described in Paragraph 5 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab reported invalid or truncated account names to the Large Options Position LOPR in approximately 19,979,529 instances.
15. The acts, practices, and conduct described in Paragraph 6 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab submitted records to the LOPR with an invalid street address or city in approximately 620,282 instances.
16. The acts, practices, and conduct described in Paragraph 7 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab submitted records to the LOPR with a Tax ID of zero and no postal code for foreign accounts in numerous instances. Because Charles Schwab reported all of these positions to the LOPR and these inaccuracies did not alter the position data, the accounts were able to be identified for surveillance purposes.
17. The acts, practices, and conduct described in Paragraph 8 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab failed to accurately report on standard and weekly expirations in approximately 4,344 instances.
18. The acts, practices, and conduct described in Paragraph 9 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab failed to report or failed to accurately report LOPR records for 367 positions.
19. The acts, practices, and conduct described in Paragraph 10 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab failed to report or failed to

accurately report LOPR records for approximately 19,000 positions in weekly expirations to the LOPR.

20. The acts, practices, and conduct described in Paragraph 11 above constitute violations of Exchange Rule 4.13 by Charles Schwab, in that Charles Schwab failed to accurately report two positions with the correct effective dates.
21. The acts, practices, and conduct described in Paragraph 12 above constitute violations of Exchange Rule 4.2 by Charles Schwab, in that Charles Schwab failed to reasonably supervise its LOPR reporting activity so as to ensure compliance with Exchange Rule 4.13, which resulted in numerous LOPR reporting violations.
22. The acts, practices, and conduct described in Paragraph 13 above constitute violations of Exchange Rules 4.2 and 4.24 by Charles Schwab, in that Charles Schwab failed to establish adequate supervisory systems, including written supervisory procedures and a separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rule 4.13 governing reporting options positions to the LOPR, which resulted in numerous LOPR reporting violations.

Sanction: A censure and a fine of \$300,000.

Subject acknowledges that it has read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to it by the Exchange or its staff, and that this Letter of Consent is voluntary on its part.

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.

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

**Dated:** July 7, 2018

**By:** /s/ Charles Schwab & Co., Inc.  
**Charles Schwab & Co., Inc.**