



**DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star No. 20160513267/File No. USRI-8708**

**BNP Paribas Securities Corp.**

Pursuant to Exchange Rule 17.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rule(s)**

- Cboe Rules 4.1 – Just and Equitable Principles of Trade, 4.24 – Supervision, 6.9 – Solicited Transactions, and 6.74 – Crossing Orders

**Sanction**

A censure and a monetary fine in the amount of \$50,000. In addition, within 30 days of the effective date of this Decision, BNP must submit to FINRA Enforcement Staff enhanced Written Supervisory Procedures (and a description of the system for applying such procedures), that are reasonably designed to prevent and detect violations of Cboe Rules 4.1, 6.9 and 6.74, as such procedures relate to the conduct described in Paragraphs 6 and 7 of the attached Letter of Consent.

**Effective Date**

June 7, 2019

By:/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

**CBOE EXCHANGE, INC.**

\_\_\_\_\_)  
In the Matter of: )  
 )  
BNP Paribas Securities Corp. )  
787 Seventh Avenue )  
New York, NY 10019 )  
 )  
Subject )  
\_\_\_\_\_)

STAR No. 20160513267

**LETTER OF CONSENT**

In order to resolve these proceedings pursuant to Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 17.3 – Expedited Proceedings, the Subject, BNP Paribas Securities Corp. ("BNP" 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 Cboe Rules or the Securities Exchange Act of 1934, as amended ("Exchange Act") has been committed, BNP consents to the Stipulation of Facts and Findings and Sanction set forth below.

**Stipulation of Facts and Findings**

1. During all relevant periods, BNP was a Cboe Trading Permit Holder registered to conduct business on the Exchange as a Proprietary Trading Permit Holder and as a Clearing Trading Permit Holder. In addition, during all relevant periods, BNP was approved to transact business with the public.
2. During all relevant periods, BNP was acting as a registered Broker-Dealer.
3. During all relevant periods, Cboe Rules 4.1 – Just and Equitable Principles of Trade, 4.24 – Supervision, 6.9 – Solicited Transactions and 6.74 – Crossing Orders were in full force and effect.
4. During all relevant periods, Cboe Rule 6.9(e) provided, in relevant part: "It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class...until either (i) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are

disclosed to the trading crowd or (ii) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation.”

5. During all relevant periods, Interpretation and Policy .10 to Cboe Rule 6.74 provided a limited exception to the anticipatory hedging rule for “tied hedge” transactions.<sup>1</sup>
6. On or about August 23, 2016, BNP executed a portion of its hedge in anticipation of the facilitation of its customer order in Alphabet Inc. (GOOGL) Flex Options prior to the customer order being disclosed to the Cboe trading crowd.
7. On or about August 23, 2016, BNP failed to comply with various requirements for a “tied hedge” transaction as set forth in Interpretation and Policy .10 to Exchange Rule 6.74.
8. Since approximately August 2016, BNP has failed to establish, maintain, and enforce Written Supervisory Procedures, and a system for applying such procedures, reasonably designed to prevent and detect violations of Cboe Rules 4.1, 6.9 and 6.74, in conjunction with the conduct described in Paragraphs 6 and 7 above.<sup>2</sup>
9. The acts, practices and conduct described in Paragraph 6 above constitute a violation of Cboe Rules 4.1 and 6.9 by BNP, in that BNP executed a portion of its hedge in anticipation of the facilitation of its customer order in Alphabet Inc. (GOOGL) Flex Options prior to the customer order being disclosed to the Cboe trading crowd.
10. The acts, practices and conduct described in Paragraph 7 above constitute a violation of Cboe Rule 6.74 by BNP, in that BNP failed to comply with the requirements for a “tied hedge” transaction set forth in Interpretation and Policy .10 to Exchange Rule 6.74.
11. The acts, practices and conduct described in Paragraph 8 above constitute a violation of Cboe Rule 4.24 by BNP, in that BNP failed to establish, maintain, and enforce Written Supervisory Procedures, and a system for applying such procedures, reasonably designed to prevent and detect violations of Cboe Rules 4.1, 6.9 and 6.74, in conjunction with the conduct described in Paragraphs 6 and 7 above.

**Sanction:** A \$50,000 fine and a censure. In addition, within thirty (30) days of the date the Decision is issued in this matter, BNP must submit to FINRA Enforcement Staff enhanced Written Supervisory Procedures (and a description of the system for applying such procedures), that are reasonably designed to prevent and detect violations of Cboe Rules 4.1, 6.9 and 6.74, as such procedures relate to the conduct described in Paragraphs 6 and 7 above.

---

<sup>1</sup> See Interpretation and Policy .10 to Cboe Rule 6.74. See also Cboe Regulatory Circular RG09-86 (issued August 18, 2009).

<sup>2</sup> As of the date of the Cboe Rule 17.2(d) notification letter (October 25, 2018), BNP’s Written Supervisory Procedures were not reasonably designed to prevent and detect violations of Cboe rules related to anticipatory hedging (and the related “tied hedge” exception) in conjunction with the conduct described in Paragraphs 6 and 7 above.

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 Exchange'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 Chief Regulatory Officer'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.

5/2/2019  
Date

\_\_\_\_\_  
BNP Paribas Securities Corp.

\_\_\_\_\_  
Print Name

Managing Director  
Title