

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

_____ )	
In the Matter of: )	
) )	
Akuna Securities LLC )	File No. 19-0002
333 S. Wabash Ave. )	STAR No. 20160520613
Suite 2600 )	
Chicago, IL 60605 )	
) )	
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, Akuna Securities LLC 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. 19-0002 (STAR No. 20160520613) which is attached to and made a part of this Decision.

**SO ORDERED**  
**FOR THE COMMITTEE**

**Dated:** January 31, 2019

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

**BEFORE THE BUSINESS CONDUCT COMMITTEE**  
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In the Matter of: )

Akuna Securities LLC )  
333 S. Wabash Avenue )  
Suite 2600 )  
Chicago, IL 60605 )

STAR No. 20160520613<sup>1</sup>

Subject )  
\_\_\_\_\_ )

**LETTER OF CONSENT**

In order to resolve these proceedings pursuant to Cboe Exchange, Inc. (the "Exchange" or "Cboe") Rule 17.3 – Expedited Proceedings, the Subject, Akuna Securities LLC ("Akuna" 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, or other applicable statutes, rules or regulations, has been committed, Akuna consents to the subject matter jurisdiction of the Exchange, and the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, Akuna was an Exchange Trading Permit Holder approved to conduct business on the Exchange as a Market-Maker and therefore, consented to the jurisdiction of the Exchange.
2. During all relevant periods herein, Akuna was acting as a registered Broker-Dealer.
3. During all relevant periods noted herein, Exchange Rules 4.1 – Just and Equitable Principles of Trade and 4.2 – Adherence to Law, were in full force and effect.
4. During all relevant periods noted herein, Cboe Exchange, Inc. listed the Cboe Volatility Index Options contract ("VIX Options") and Cboe Futures Exchange, LLC listed the Cboe Volatility Index Futures contract ("VX Futures").
5. VIX Options and VX Futures are based on the Cboe Volatility Index ("VIX Index"), a measure of 30-day expected volatility of the S&P 500 Index. The final settlement value for VIX Options and VX Futures is a Special Opening Quotation ("SOQ") of the VIX Index calculated using opening prices of constituent S&P 500 Index ("SPX") options that expire 30 days after the relevant VIX expiration date. The opening prices for the SPX options used to calculate the SOQ are determined through an automated auction mechanism that matches locked or inverted buy and sell orders and quotes resting on the electronic order book at the opening of trading.

<sup>1</sup> This matter is related to Cboe Futures Exchange Case No. 18-0004.

6. The VIX Index methodology used to calculate the SOQ initially selects a universe of out-of-the-money SPX put and call options. It then excludes SPX series that have a zero bid price (the "Zero Bid rule").
7. Akuna, as part of its trading strategy, participated in the auction conducted on Cboe Options used to generate the SOQ by submitting "strategy orders" composed of a strip of certain SPX options in order to flatten Akuna's exposure from its expiring VIX Options and VX Futures positions.
8. On three expiration dates for VIX Options and VX Futures between November 2016 and November 2017, Akuna submitted "strategy orders." In addition, Akuna submitted minimum increment SPX option orders to increase the likelihood that certain SPX option series (that were part of its strategy orders) would be bid and therefore included in the SOQ. As a result of this conduct, the final VIX settlement values on those three dates included certain SPX options series that otherwise would not have been included due to the Zero Bid rule described in Paragraph 6 above.
9. From in or about November 2016 through in or about November 2017, Akuna failed to supervise its Associated Persons by failing to ensure compliance with Exchange Rule 4.1 in connection with the conduct described in Paragraph 8 above.
10. The acts, practices and conduct described in Paragraph 8 above constitute a violation of Exchange Rule 4.1 by Akuna, in that on three expiration dates for VIX Options and VX Futures, Akuna submitted "strategy orders." In addition, Akuna submitted minimum increment SPX option orders to increase the likelihood that certain SPX option series (that were part of its strategy orders) would be bid and therefore included in the SOQ.
11. The acts, practices, and conduct described in Paragraph 9, above, constitute a violation of Exchange Rule 4.2 by Akuna, in that Akuna failed to supervise the trading activity of its Associated Persons so as to assure compliance with Exchange Rule 4.1.

**Sanction:** As a result of the conduct described above, a total fine of \$1,275,000, of which \$854,250 shall be paid to Cboe Exchange, Inc. and \$420,750 shall be paid to Cboe Futures Exchange, LLC, a total disgorgement in the amount of \$6,726 which shall be paid to Cboe Futures Exchange, LLC and a censure.

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.

[Signature on next page]

STAR No. 20160520613

1/14/2019  
Date

Akuna Securities LLC

BRIAN HOCKINSON  
Print Name

CCO  
Title