

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

_____)	
In the Matter of:)	
)	
Lakeshore Securities, L.P.)	
401 South LaSalle Street)	File No. 17-0027
Suite 1000)	STAR Nos. 20150459874 and 20150453575
Chicago, IL 60605)	
)	
Respondent/Subject)	
_____)	

DECISION ACCEPTING OFFER OF SETTLEMENT AND 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 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/subject (“Respondent/Subject”), Lakeshore Securities, L.P. (“Lakeshore”), submitted a consolidated Offer of Settlement and Letter of Consent (“Offer of Settlement and Letter of Consent”).

In submitting the Offer of Settlement and Letter of Consent, the Respondent/Subject neither admitted nor denied the violations alleged in the Statement of Charges and Letter of Consent.

The Respondent/Subject has agreed that the determination of the Committee to accept the Offer of Settlement and Letter of Consent shall constitute a final Decision, and, as provided in Exchange Rules 17.3 and 17.8, the Respondent/Subject may not seek review thereof.

The Respondent/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.

With due regard to the particulars of this matter, the Committee believes it is appropriate to accept the Offer of Settlement and Letter of Consent based on the following stipulated facts and findings and thereby to impose the sanction specified below.

FACTS

1. During all relevant periods, Lakeshore was an Exchange Trading Permit Holder¹ registered to conduct business on the Exchange as a Floor Broker.
2. During all relevant periods, Lakeshore was acting as a registered Broker-Dealer.
3. During all relevant periods, Exchange Rules 4.2 – Adherence to Law, 4.22 – Communications to

¹ f/k/a Member prior to CBOE demutualization.

the Exchange or the Clearing Corporation, 4.24 – Supervision, 6.51 – Reporting Duties, 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information; and Section 17(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 17a-3 – Records to Be Made by Certain Exchange Members, Brokers and Dealers, thereunder, were in full force and effect.

4. During all relevant periods, Interpretation and Policy .02 to Exchange Rule 6.51 required each Trading Permit Holder, when entering orders on the Exchange, “to submit trade information in such form as may be prescribed by the Exchange in order to allow the Exchange to properly prioritize and route orders pursuant to the rules of the Exchange and report resulting transactions to the Clearing Corporation.”
5. During all relevant periods, Exchange Rule 4.22 provided, in relevant part: “No Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall make any misrepresentation or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction”
6. From on or about November 1, 2008 through on or about September 30, 2015, and from on or about April 1, 2016 through on or about June 30, 2017, Lakeshore marked and executed numerous option orders with an incorrect order origin code.
7. From on or about November 1, 2008 through on or about April 30, 2017, Lakeshore failed to implement, maintain and enforce adequate written supervisory procedures, related to the proper marking and execution of option orders with correct order origin codes, so as to detect and prevent violations of Exchange Rules and the Exchange Act as they relate to order origin codes, and to otherwise assure compliance with Exchange Rules and the Exchange Act as they relate to order origin codes.
8. From on or about November 1, 2008 through on or about December 31, 2016, Lakeshore failed to adequately supervise so as to assure compliance with Exchange Rules and the Exchange Act as they relate to order origin codes.
9. From on or about November 1, 2008 through on or about September 30, 2015, and from on or about April 1, 2016 through on or about June 30, 2017, Lakeshore failed to maintain accurate books and records that contained correct order origin code information.

FINDINGS

The acts, practices and conduct described in Paragraph 6 constitute a violation of Exchange Rules 4.22 and 6.51 by Lakeshore, in that Lakeshore marked and executed numerous option orders with an incorrect order origin code.

The acts, practices and conduct described in Paragraph 7 constitute a violation of Exchange Rules 4.2 and 4.24² by Lakeshore, in that Lakeshore failed to maintain adequate written supervisory procedures, related to the proper marking and execution of option orders with correct order origin codes, so as to detect and prevent violations of Exchange Rules and the Exchange Act as they relate to order origin codes, and to otherwise assure compliance with Exchange Rules and the Exchange Act as they relate to order origin codes.

The acts, practices and conduct described in Paragraph 8 constitute a violation of Exchange Rule 4.2 by Lakeshore, in that Lakeshore failed to adequately supervise so as to assure compliance with Exchange Rules and the Exchange Act as they relate to order origin codes.

The acts, practices and conduct described in Paragraph 9 constitute a violation of Exchange Rules 4.2 and 15.1; and Section 17(a) of the Exchange Act and Rule 17a-3 thereunder by Lakeshore, in that Lakeshore failed to maintain accurate books and records that contained correct order origin code information.

SANCTION

The sanction to be imposed shall consist of a \$50,000 fine and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent/Subject, Lakeshore Securities, L.P. shall be and hereby is censured and fined in the amount of fifty thousand dollars (\$50,000).

**SO ORDERED
FOR THE COMMITTEE**

Dated: November 2, 2017

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

² Exchange Rule 4.24 became effective in or about March 2014.