

NYSE ARCA, INC.
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021-03-26-03352

TO: NYSE Arca, Inc.

RE: Student Options, LLC, Respondent
CRD No. 31626

On January 26, 2021, Student Options, LLC (“Student” or the “Firm”) violated NYSE Arca Rule 11.1(b) by failing to convey the terms and conditions of a customer order to the trading crowd prior to informing the customer that the order had been announced. During the period of January 26, 2021 to the present, the Firm also violated NYSE Arca Rule 11.18(b) by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable laws, rules, and regulations regarding the representation of customer orders in the trading crowd. Consent to a censure and a \$20,000 fine.

* * *

Pursuant to Rule 10.9216 of the NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) Code of Procedure, Student submits this Letter of Acceptance, Waiver, and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, NYSE Arca will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. Student hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NYSE Arca, or to which NYSE Arca is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NYSE Arca:

BACKGROUND AND JURISDICTION

1. The Firm has been registered with NYSE Arca since October 1989. The Firm is an Options Trading Permit Holder (“OTP Holder”) and conducts business as a floor broker on the NYSE Arca trading floor in San Francisco, California.

VIOLATIONS

Failure to Properly Announce a Customer Order

2. One of the functions of a floor broker is to handle solicited transactions on the floor for its customers. A key element of the handling of a solicited transaction is the disclosure to the trading crowd of the material elements of the order prior to its execution. NYSE Arca Rule 6.49-O(a)(1) (“The OTP Holder or OTP Firm, upon entering the trading crowd to execute the transaction must announce to the trading crowd the same terms and conditions of the originating order that have been disclosed to the solicited party.”).
3. Additionally, to the extent that a floor broker’s customer or a solicited counterparty intends to hedge an order, that hedging can only begin once “[a]ll the terms and conditions of the originating order . . . are disclosed to the trading crowd” or the “trade can no longer reasonably be considered imminent in view of the passage of time since the order was received.” NYSE Arca Rule 6.49-O(b).¹
4. Customers typically request that the floor broker inform them by phone or instant message that the order has been announced so that they can begin hedging and/or inform any solicited counterparties to the trade who intend to hedge. Because the customer and counterparties are prohibited from hedging until an order has been announced but have no first-hand knowledge of when that actually occurs, it is critical that a floor broker only inform a customer that an order has been announced after the material terms and conditions have been disclosed to the crowd.
5. NYSE Arca Rule 11.1(b) requires that members “shall at all times adhere to the principles of good business practice in the conduct of its or their business affairs.”
6. A floor broker may be found in violation of Exchange rules, including NYSE Arca Rule 11.1(b), if, prior to vocalizing the terms and conditions of the order, the Floor Broker informs its client that its order is ‘announced’ or ‘represented.’ See NYSE Arca Options Regulatory Bulletin 20-01, *Obligations of OTP and ATP Holders Acting as Floor Brokers* (“NYSE Arca RB-20-01”). One purpose of this requirement is to ensure that the trading crowd has a fair opportunity to participate in the trade.
7. On January 26, 2021, a Student phone clerk informed one of the Firm’s customers that a solicited transaction had been announced, despite the fact that the Student floor

¹ NYSE Arca Rule 6.49-O(b) provides in full that “It will be considered conduct inconsistent with just and equitable principles of trade for any OTP Holder or OTP Firm or person associated with a OTP Holder or OTP Firm, who has knowledge of all material terms and conditions of an originating order, a solicited order, or a facilitation order, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option on the underlying securities of any option that is the subject of the order, or an order to buy or sell the security underlying any option that is the subject of the order, or any order to buy or sell any related instrument until either: 1) All the terms and conditions of the originating order and any changes in the terms or conditions of the order of which the OTP Holder or OTP Firm or person associated with the OTP Holder or OTP Firm has knowledge are disclosed to the trading crowd, or 2) The trade can no longer reasonably be considered imminent in view of the passage of time since the order was received.”

broker handling the order had not yet conveyed the price or size of the order to the trading crowd in open outcry. The Firm's customer conveyed this information to its solicited counterparty, which then hedged the order before it was conveyed to the crowd. The hedging moved the market for the underlying security, which in turn impacted the value of the options to the trading crowd. This disadvantaged the trading crowd because the crowd was not given the opportunity to participate in the trade under the same market conditions as the solicited counterparty.

8. Accordingly, the Firm violated NYSE Arca Rule 11.1(b).

Supervision

9. NYSE Arca Rule 11.18(b) requires that members "establish and maintain a system to supervise the activities of its associated persons and the operations of its business . . . reasonably designed to ensure compliance with applicable federal securities laws and regulations and NYSE Arca Rules."
10. The Firm failed to establish and maintain a supervisory system reasonably designed to ensure that its customers are only informed that an order has been announced after all of the material terms of the order have been properly conveyed to the trading crowd. Although the Firm implemented certain enhancements to its supervisory system pursuant to an undertaking in connection with a September 2020 disciplinary action, those enhancements were insufficient to remediate the deficiencies in the Firm's supervisory system. Among other things, the Firm did not have supervisory reviews that were reasonably designed to ensure that customers are only informed that an order has been announced after all the material elements of that order have been conveyed to the trading crowd.
11. Accordingly, the Firm violated NYSE Arca Rule 11.18(b).

RELEVANT PRIOR DISCIPLINARY HISTORY

12. On January 14, 2021, the Firm was issued a first-level Minor Rule Violation with a \$1,000 fine for violation of NYSE Arca Rule 11.1(b) (Adherence to Law and Good Business Practice) and a first-level Minor Rule Violation with a \$1,500 fine for violation of NYSE Arca Rule 6.67-O(c) (Order Format and System Entry Requirements), after the Firm informed its customer that an order was announced prior to vocalizing the order in the crowd and recording in the Exchange's Electronic Order Capture System.
13. On September 16, 2020, the Firm was censured and fined \$20,000 for violation of NYSE Arca Rules 11.1(b) (Adherence to Law and Good Business Practice), 6.47-O ("Crossing" Orders), and 11.18 (Supervision), after the Firm prematurely informed a customer that an order was announced, failed to ask for a two-sided market before announcing a customer-to-customer cross, and failed to maintain written supervisory procedures and a supervisory system reasonably designed to ensure compliance with exchange rules concerning order announcement. The Firm agreed to undertake to remediate the deficiencies described in that settlement.

14. On July 22, 2019, the Firm was issued a Cautionary Action Letter for informing a customer that an order had been announced prior to the order being recorded in the Exchange's Electronic Order Capture System, in violation of NYSE Arca Rules 6.67-O(c) (Order Format and System Entry Requirements) and 11.1(b) (Adherence to Law and Good Business Practice).

OTHER FACTORS

15. In resolving this matter, NYSE Regulation took into consideration certain remedial measures taken by the Firm since September 2021, including a monthly requirement that employees review and attest that they will comply with NYSE Arca RB 20-01.

SANCTIONS

- B. The Firm also consents to the imposition of the following sanction:

Censure and fine in the amount of \$20,000

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

II. WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the NYSE Arca Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Exchange's Board of Directors and then to the

U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer of NYSE Arca; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE Arca employee; or any Regulatory Staff as defined in Rule 10.9120 in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte communication prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III. OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE Arca pursuant to NYSE Arca Rule 10.9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 1. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 25 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Arca Rule 10.9310(a)(1)(B);
 2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;
 3. NYSE Arca shall publish a copy of the AWC on its website in accordance with NYSE Arca Rule 10.8313;
 4. NYSE Arca may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Arca Rule 10.8313; and
 5. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or

indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

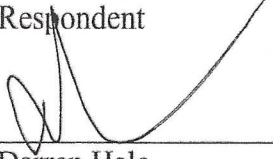
The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no

offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.


12.13.21
Date

Student Options, LLC,
Respondent

By: 
Darren Hale
Chief Compliance Officer

Accepted by NYSE Regulation

12/13/2021
Date


Kerry A. Tirrell
Enforcement Counsel
NYSE Regulation

Signed on behalf of NYSE Arca, Inc., by
delegated authority from its Chief
Regulatory Officer