



DISCIPLINARY DECISION
Cboe Exchange, Inc.
File No. URE-185-01/Star No. 20220733143-01
Belvedere Trading LLC

Pursuant to Exchange Rule 13.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rules

- Cboe Rules 8.2 – Adherence to Law and 8.16 – Supervision; and
- Rule 204 – Close-out Requirement of Regulation SHO, promulgated under the Exchange Act of 1934, as amended.

Sanction

A censure and a monetary fine in the amount of \$185,000

Effective Date

August 27, 2024

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

Cboe Exchange, Inc.
LETTER OF CONSENT
File No. URE-185-01/Star No. 2022073314301

In the Matter of:

Belvedere Trading LLC
10 S. Riverside Plaza, Suite 2100
Chicago, IL 60606

Subject

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, Belvedere Trading LLC (“Belvedere” or the “Firm”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Exchange Act rules have been committed, and the stipulations described herein do not constitute such an admission.

BACKGROUND

1. Belvedere has been a member of Cboe since 2005. During all relevant periods herein, the Firm was acting as a registered Broker-Dealer and was an Exchange Trading Permit Holder registered to conduct business on the Exchange.
2. This matter originated from a self-report by Belvedere. Following the self-report, FINRA’s Department of Member Supervision conducted an exam and referred the matter to FINRA’s Department of Enforcement.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Rule 204 of Regulation SHO – Close-out Requirement, Cboe Rule 8.2 – Adherence to Law and Cboe Rule 8.16 – Supervision.
4. During all relevant periods herein, Rule 204(a) of Regulation SHO provided, a “participant of a registered clearing agency must deliver securities to a registered clearing agency for clearance and settlement on a long or short sale in any equity security by settlement date, or if a participant of a registered

clearing agency has a fail to deliver position ["FTD"] at a registered clearing agency in any equity security for a long or short sale transaction in that equity security, the participant shall, by no later than the beginning of regular trading hours on the settlement day following the settlement date, immediately close out its fail to deliver position by borrowing or purchasing securities of like kind and quantity[.]” To comply with Rule 204, a participant may either close out a FTD or, under Rule 204(d) of Regulation SHO, “reasonably allocate” a portion of a FTD to another registered broker or dealer. Once a clearing firm has allocated an FTD position to another broker-dealer, the obligation to comply with the close out requirement shifts to that broker-dealer.

5. During all relevant periods herein, Cboe Rule 8.2 provided, in relevant part, that no Trading Permit Holder shall engage in conduct in violation of the Exchange Act, rule or regulations thereunder, insofar as they relate to the reporting or clearance of any Exchange transaction.
6. During all relevant periods herein, Cboe Rule 8.16 required, in relevant part, each Trading Permit Holder to establish, maintain and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons. The WSPs and the system for applying such procedures shall be reasonably designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules, including Rule 204 of Regulation SHO.

Regulation SHO Violations

7. From on or about July 1, 2020 through on or about January 31, 2022 (the “Relevant Period”), Belvedere Trading LLC failed to timely close out 115 FTDs, in 45 securities over 78 trade dates, that were allocated to the Firm by its clearing broker-dealer.
8. Each of the FTDs were related to a trading position from a single, recently onboarded trading desk at the Firm. The Firm used a manual process to close FTDs allocated to it by its clearing firm, but, due in part to administrative errors resulting from onboarding the trading desk, the Firm failed to ensure that this manual process was completed during the Relevant Period so as to timely close FTDs the Firm was allocated. As a result, Belvedere violated Regulation SHO Rule 204(a).
9. The acts, practices and conduct described in Paragraphs 7 and 8 constitute violations of Rule 204(a) of Regulation SHO and Cboe Rule 8.2 by the Firm.

Supervisory Violations

10. During the Relevant Period, Belvedere failed to establish, maintain, and enforce written supervisory procedures (“WSPs”), and a system for applying such procedures, reasonably designed to prevent and detect violations of Cboe Rule 8.2 and Rule 204(a) of Regulation SHO.
11. During the Relevant Period, the Firm maintained general WSPs regarding its compliance with Rule 204(a). The WSPs required its Chief Financial Officer or their designee to review FTDs to determine if they were valid and, if so, for a Firm trader or operations specialist to close out the FTD by purchasing or borrowing securities in a timely manner.
12. However, neither the Firm’s WSPs nor the Firm’s supervisory system otherwise provided for a supervisory review to ensure that FTDs were timely closed. The WSPs stated that a Firm trader or operations specialist was required to close out a position, but the WSPs did not provide any follow up review of allocation notices to confirm that the trader or operations specialist acted on them. The WSPs also did not provide for any periodic reviews, such as a daily review by a trade desk supervisor, or other periodic reviews of documentation by other managers to ensure that the groups responsible for timely closing FTDs were taking the required action. Likewise, the WSPs did not provide for any testing or auditing of the system for closing FTDs.
13. Additionally, the Firm’s supervisory system for complying with Rule 204(a) of Regulation SHO involved a manual process that included using an internal communications system through Microsoft Teams. The Firm stopped using this internal communications process in March 2021. As a result, there were no communications with Firm traders instructing them to timely close FTDs. Given the manual nature of the Firm’s system, the failure to adhere to these communications meant that there was no supervisory review ensuring that Firm personnel were acting on the allocation notices from its clearing firm. These supervisory lapses caused the Firm to fail to detect the substantive violations of Rule 204(a) discussed above.
14. The acts, practices and conduct described in Paragraphs 10 through 13 constitute violations of Cboe Rule 8.16 by Belvedere, in that the Firm failed to establish, maintain and enforce supervisory systems, including WSPs, that were reasonably designed to achieve compliance with Rule 204(a) of Regulation SHO.

SANCTIONS

15. The Firm does not have any prior relevant disciplinary history specifically related to closing out FTDs under Rule 204(a) of Regulation SHO.
16. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A monetary fine in the amount of \$185,000.

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 13.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudice of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. 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(s) imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 13.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by Cboe or any other regulator against the Firm.

The Firm understands that it may not deny the charges or make any public statement that is inconsistent with the Offer of Settlement. The Firm may not take any position in any proceeding brought on or behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this Offer of Settlement. 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. The Firm may attach a Corrective Action Statement to this Offer of Settlement that is a statement of demonstrable

corrective steps taken to prevent future misconduct. Any such statement does not reflect the views of the Exchange or its staff.

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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

August 26, 2024
Date:_____

Belvedere Trading LLC

By: _____

Name: Richardo Forrer_____

Title: COO_____