

BrokerCheck Report
OPTIONSXPRESS, INC.
 CRD# 103849

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When communicating online or investing with any professional, make sure you know who you're dealing with. [Imposters](#) might link to sites like BrokerCheck from [phishing](#) or similar scam websites, or through [social media](#), trying to steal your personal information or your money.
 Please contact FINRA with any concerns.

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

• **Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.

**OPTIONSXPRESS, INC.**

CRD# 103849

SEC# 8-52354

Main Office Location

150 SOUTH WACKER DRIVE
12TH FLOOR
CHICAGO, IL 60606

Mailing Address

150 SOUTH WACKER DRIVE
12TH FLOOR
CHICAGO, IL 60606

Business Telephone Number

(888) 280-8020

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 11/13/2000.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This brokerage firm is no longer registered with FINRA or a national securities exchange.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	30
Arbitration	3
Bond	1

The number of disclosures from non-registered control affiliates is 2

Registration Withdrawal Information

This section provides information relating to the date the brokerage firm ceased doing business and the firm's financial obligations to customers or other brokerage firms.



Date firm ceased business: 10/09/2017

Does this brokerage firm owe any money or securities to any customer or brokerage firm? No



Firm Profile

This firm is classified as a corporation.
This firm was formed in Delaware on 11/13/2000.
Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

OPTIONSXPRESS, INC.
Doing business as OPTIONSXPRESS, INC.
CRD# 103849
SEC# 8-52354

Main Office Location
150 SOUTH WACKER DRIVE
12TH FLOOR
CHICAGO, IL 60606

Mailing Address
150 SOUTH WACKER DRIVE
12TH FLOOR
CHICAGO, IL 60606

Business Telephone Number
(888) 280-8020

Other Names of this Firm

Name	Where is it used
OEC EQUITIES	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA,

OX

WI, WV, WY
AK, AL, AR, AZ, CA,
CO, CT, DC, DE, FL,
GA, HI, IA, ID, IL, IN,
KS, KY, LA, MA, MD,
ME, MI, MN, MO,
MS, MT, NC, ND, NE,
NH, NJ, NM, NV, NY,
OH, OK, OR, PA, PR,
RI, SC, SD, TN, TX,
UT, VA, VI, VT, WA,
WI, WV, WY



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): OPTIONSXPRESS HOLDINGS, INC.

Is this a domestic or foreign entity or an individual? Domestic Entity

Position OWNER

Position Start Date 07/2004

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? Yes

Legal Name & CRD# (if any): HATHI, NEESHA K
2648997

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 02/2016

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): KONOP, LYNN MARIE
1216310

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF COMPLIANCE OFFICER

Position Start Date 04/2012

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): LIN, LINDIE MARIE
4412827

Is this a domestic or foreign entity or an individual? Individual

Position FINANCIAL & OPERATIONS PRINCIPAL (FINOP)

Position Start Date 08/2017

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): METZGER, BARRY SCOTT
4719211

Is this a domestic or foreign entity or an individual? Individual

Position CEO

Position Start Date 11/2014

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): WHITCOMB, DAVID C JR

Firm Profile



Direct Owners and Executive Officers (continued)

	4052389
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF LEGAL OFFICER
Position Start Date	05/2012
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.



Indirect Owners

Legal Name & CRD# (if any):	THE CHARLES SCHWAB CORPORATION
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	OPTIONSXPRESS HOLDINGS, INC.
Relationship to Direct Owner	HOLDING COMPANY ACQUIRED OUR HOLDING COMPANY
Relationship Established	09/2011
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	Yes

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.



This firm was previously: SIERRA CAPITAL

Date of Succession: 11/13/2000

Predecessor CRD#: 103849

Predecessor SEC#: 8-52354

Description THE NEWLY FORMED DELAWARE CORPORATION ASSUMED ALL OF THE ASSETS AND LIABILITIES OF THE ILLINOIS LIMITED LIABILITY CORPORATION EFFECTIVE AS OF NOVEMBER 13, 2000. THERE WAS NO CHANGE OF CONTROL OR MANAGEMENT AND NO CHANGE OF BUSINESS ACTIVITIES IN CONNECTION WITH THE MERGER.

Firm Operations



Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is no longer registered.

The firm's registration was from 08/16/2000 to 01/02/2018.

Firm Operations



Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 5 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities
Broker or dealer retailing corporate equity securities over-the-counter
Mutual fund retailer
Put and call broker or dealer or option writer
Non-exchange member arranging for transactions in listed securities by exchange member

Firm Operations



Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does not have books or records maintained by a third party.

This firm does not have accounts, funds, or securities maintained by a third party.

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

SCHWAB WEALTH INVESTMENT ADVISORY, INC. is under common control with the firm.

CRD #:	173455
Business Address:	211 MAIN STREET SAN FRANCISCO, CA 94105
Effective Date:	01/09/2015
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	A WHOLLY OWNED SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION

THOMASPARTNERS, INC. is under common control with the firm.

CRD #:	104966
Business Address:	75 CENTRAL STREET WELLESLEY, ME 02482
Effective Date:	10/01/2012
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	Yes
Description:	THOMASPARTNERS, INC , INC. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

Firm Operations**Organization Affiliates (continued)**

SCHWAB PRIVATE CLIENT INVESTMENT ADVISORY, INC. is under common control with the firm.

CRD #: 159035

Business Address: 211 MAIN STREET
SAN FRANCISCO, CA 94105

Effective Date: 09/01/2011

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: AFFILIATED UNDER COMMON CONTROL. OPTIONSXPRESS' PARENT COMPANY OPTIONSXPRESS HOLDINGS IS OWNED BY THE CHARLES SCHWAB CORPORATION.

CHARLES SCHWAB & CO., INC. is under common control with the firm.

CRD #: 5393

Business Address: 211 MAIN STREET
SAN FRANCISCO, CA 94105

Effective Date: 09/01/2011

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: CHARLES SCHWAB & CO., INC. IS AN AFFILIATED FIRM UNDER COMMON CONTROL OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS, INC.

WINDHAVEN INVESTMENT MANAGEMENT, INC. is under common control with the firm.

Business Address: 60 STATE STREET
BOSTON, MA 02109

Effective Date: 09/01/2011

Foreign Entity: No

Firm Operations



Organization Affiliates (continued)

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WINDHAVEN INVESTMENT MANAGEMENT, INC. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

THE CHARLES SCHWAB CORPORATION is under common control with the firm.

Business Address: 211 MAIN STREET
SAN FRANCISCO, CA 94105

Effective Date: 09/01/2011

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: No

Description: THE CHARLES SCHWAB CORPORATION ACQUIRED OPTIONSXPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB, U.K., LIMITED is under common control with the firm.

Business Address: 10 KING WILLIAM STREET
LONDON, UNITED KINGDOM EC4N 7TW

Effective Date: 09/01/2011

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: Yes

Investment Advisory Activities: No

Description: CHARLES SCHWAB, U.K., LIMITED IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB, HONG KONG, LTD. is under common control with the firm.

Firm Operations



Organization Affiliates (continued)

Business Address: 1607-1611 ICBC TOWER, NO. 3
GARDEN ROAD, HONG KONG

Effective Date: 09/01/2011

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CHARLES SCHWAB, HONG KONG, LTD. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB INVESTMENT MANAGEMENT, INC is under common control with the firm.

CRD #: 106753

Business Address: 211 MAIN STREET
SAN FRANCISCO, CA 94105

Effective Date: 09/01/2011

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: CHARLES SCHWAB INVESTMENT MANAGEMENT, INC IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB INVESTMENT ADVISORY, INC. is under common control with the firm.

Business Address: 211 MAIN STREET
SAN FRANCISCO, CA 94105

Effective Date: 09/01/2011

Foreign Entity: No

Country:

Securities Activities: Yes

Firm Operations



Organization Affiliates (continued)

Investment Advisory Activities: Yes

Description: CHARLES SCHWAB INVESTMENT ADVISORY, INC. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB ASSET MANAGEMENT (IRELAND) LIMITED is under common control with the firm.

Business Address: 30 HERBERT STREET
DUBLIN, IRELAND

Effective Date: 09/01/2011

Foreign Entity: Yes

Country: IRELAND

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: CHARLES SCHWAB ASSET MANAGEMENT (IRELAND) LIMITED IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS, INC. AND ALL OF ITS AFFILIATES.

CHARLES SCHWAB AUSTRALIA PTY LIMITED is under common control with the firm.

Business Address: 4 SKYLINE PLACE
UNIT5
FRENCHS FOREST, NSW 2086

Effective Date: 09/07/2017

Foreign Entity: Yes

Country: AUSTRALIA

Securities Activities: Yes

Investment Advisory Activities: No

Description: CHARLES SCHWAB AUSTRALIA PTY LIMITED. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION. BOTH THE APPLICANT AND THE NEWLY FORMED ENTITY ARE UNDER THE COMMON CONTROL OF CHARLES SCHWAB CORPORATION. CHARLES SCHWAB AUSTRALIA PTY LIMITED IS AN AUSTRALIAN CORPORATION. AUSTRALIAN FINANCIAL SERVICES LICENSE BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION TO PROVIDE TRADING EXECUTION IN US EQUITIES, US LISTED BONDS, US

Firm Operations



Organization Affiliates (continued)

MUTUAL FUNDS, AND US EXCHANGE-TRADED OPTIONS ON US EQUITIES
AND EQUITY INDICES

CHARLES SCHWAB SINGAPORE PTE LTD is under common control with the firm.

Business Address:	3 PICKERING STREET #02-51 NANKIN ROW SINGAPORE, SINGAPORE 048660
Effective Date:	09/06/2017
Foreign Entity:	Yes
Country:	SINGAPORE
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	CHARLES SCHWAB SINGAPORE PTE LTD. IS A SUBSIDIARY OF THE CHARLES SCHWAB CORPORATION. BOTH THE APPLICANT AND THE NEWLY FORMED ENTITY ARE UNDER THE COMMON CONTROL OF CHARLES SCHWAB CORPORATION IS A SINGAPORE CORPORATION REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE AND HAS A CAPITAL MARKETS SERVICES LICENSE (CMS100047-1) TO SERVE AS A BROKER DEALING IN SECURITIES, SECURITIES FINANCING AND PROVIDING OF CUSTODIAL SERVICES FOR SECURITIES FOR CHARLES SCHWAB CLIENTS IN SINGAPORE.

This firm is directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

THE CHARLES SCHWAB CORPORATION is a Bank Holding Company and controls the firm.

Business Address:	211 MAIN STREET SAN FRANCISCO, CA 94105
Effective Date:	09/01/2011
Description:	THE CHARLES SCHWAB CORPORATION IS A SUBSIDIARY OF THE CHARLES

Firm Operations



Organization Affiliates (continued)

SCHWAB CORPORATION WHICH ACQUIRED OPTIONSXPRESS HOLDINGS,
INC. AND ALL OF ITS AFFILIATES.



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	3	27	0
Arbitration	N/A	3	N/A
Bond	N/A	1	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 27

Reporting Source: Regulator

Current Status: Final



Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN AT LEAST 29 INSTANCES, IT ROUTED AGENCY ORDERS TO BZX AND EXECUTED THOSE ORDERS AS PRINCIPAL BY PAIRING AND CROSSING THEM WITH ORDERS FROM AN AFFILIATE OF THE FIRM WITHOUT FIRST EXPOSING THOSE ORDERS ON BZX FOR AT LEAST ONE SECOND, OR WITHOUT HAVING BEEN BIDDING OR OFFERING ON THE BZX FOR AT LEAST ONE SECOND PRIOR TO RECEIVING THE AGENCY ORDERS THAT WERE EXECUTABLE AGAINST SUCH BIDS OR OFFERS. THE FINDINGS STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ASSURE COMPLIANCE WITH THE ORDER EXPOSURE REQUIREMENTS OF BZX RULE 22.12.
Initiated By:	BATS BZX EXCHANGE, INC.
Date Initiated:	08/22/2016
Docket/Case Number:	2014041865201
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/19/2016
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$60,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$60,000. PURSUANT TO BZX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THE AWC BECAME FINAL SEPTEMBER 19, 2016.



Reporting Source:	Firm
Current Status:	Final
Allegations:	IT IS ALLEGED THAT IN AT LEAST 29 INSTANCES, THE FIRM ROUTED AGENCY ORDERS TO BZX AND EXECUTED THOSE ORDERS AS PRINCIPAL BY PAIRING AND CROSSING THEM WITH ORDERS FROM AN AFFILIATE OF THE FIRM WITHOUT FIRST EXPOSING THOSE ORDERS ON BZX FOR AT LEAST ONE SECOND, OR WITHOUT HAVING BEEN BIDDING OR OFFERING ON THE BZX FOR AT LEAST ONE SECOND PRIOR TO RECEIVING THE AGENCY ORDERS THAT WERE EXECUTABLE AGAINST SUCH BIDS OR OFFERS. IT IS FURTHER ALLEGED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ASSURE COMPLIANCE WITH THE ORDER EXPOSURE REQUIREMENTS OF BZX RULE 22.12.
Initiated By:	BATS BZX EXCHANGE, INC.
Date Initiated:	08/22/2016
Docket/Case Number:	2014041865201
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	CENSURE AND A FINE OF \$60,000.00
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/19/2016
Sanctions Ordered:	Censure Monetary/Fine \$60,000.00
Other Sanctions Ordered:	
Sanction Details:	CENSURE AND A FINE OF \$60,000.00

Disclosure 2 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ADJUST THE PRICE OR NUMBER OF SHARES ON NUMEROUS OPEN



ORDERS RECEIVED FROM CUSTOMERS OF THE FIRM INVOLVING A SECURITY THAT WAS SUBJECT TO A DIVIDEND, PAYMENT OR DISTRIBUTION PRIOR TO EXECUTING OR PERMITTING THE ORDER TO BE EXECUTED. THE FINDINGS STATED THAT THE FIRM FAILED TO DISCLOSE TO ITS CUSTOMERS THAT IT HAD A PRACTICE OF NOT ADJUSTING OPEN ORDERS AND AFFIRMATIVELY DISCLOSED THAT IT WOULD ADJUST OPEN ORDERS PURSUANT TO FINRA RULE 5330, DESPITE ITS ONGOING PRACTICE NOT TO ADJUST OPEN ORDERS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND NASD AND FINRA RULES, CONCERNING THE ADJUSTMENT OF OPEN ORDERS SUBJECT TO A DIVIDEND, PAYMENT OR DISTRIBUTION, AND ITS PRACTICE OF NOT ADJUSTING OPEN ORDERS PURSUANT TO THE REQUIREMENTS OF NASD RULE 3220 AND FINRA RULE 5330. IN ADDITION, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE SUFFICIENT WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR COMPLIANCE WITH NASD RULE 3220 AND FINRA RULE 5330.

Initiated By: FINRA

Date Initiated: 07/22/2015

Docket/Case Number: [2013038427401](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/22/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$165,000.00

Other Sanctions Ordered:

**Sanction Details:**

THE FIRM WAS CENSURED AND FINED \$165,000. IN DETERMINING TO RESOLVE THIS MATTER IN THE MANNER SET FORTH HEREIN, AND IN DETERMINING THE APPROPRIATE MONETARY SANCTION, FINRA TOOK INTO CONSIDERATION THAT THE FIRM SELF-REPORTED THE VIOLATIONS AT ISSUE AND TOOK ACTION TO CORRECT THE VIOLATIVE ACTIVITY PRIOR TO THE CLOSE OF THIS INVESTIGATION.

FINE PAID IN FULL ON AUGUST 11, 2015.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS TO THE ALLEGED FAILURE TO ADJUST THE PRICE OR NUMBER OF SHARES ON NUMEROUS OPEN ORDERS RECEIVED FROM CUSTOMERS OF THE FIRM INVOLVING A SECURITY THAT WAS SUBJECT TO A DIVIDEND, PAYMENT OR DISTRIBUTION PRIOR TO EXECUTING OR PERMITTING THE ORDER TO BE EXECUTED. THE FINDINGS STATED THE ALLEGED FAILURE OF THE FIRM TO DISCLOSE TO ITS CUSTOMERS THAT IT HAD A PRACTICE OF NOT ADJUSTING OPEN ORDERS AND AFFIRMATIVELY DISCLOSED THAT IT WOULD ADJUST OPEN ORDERS PURSUANT TO FINRA RULE 5330, DESPITE ITS ONGOING PRACTICE NOT TO ADJUST OPEN ORDERS. THE FINDINGS ALSO STATED THE ALLEGED FAILURE OF THE FIRM TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND NASD AND FINRA RULES, CONCERNING THE ADJUSTMENT OF OPEN ORDERS SUBJECT TO A DIVIDEND, PAYMENT OR DISTRIBUTION, AND ITS PRACTICE OF NOT ADJUSTING OPEN ORDERS PURSUANT TO THE REQUIREMENTS OF NASD RULE 3220 AND FINRA RULE 5330. IN ADDITION, IT IS ALLEGED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE SUFFICIENT WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR COMPLIANCE WITH NASD RULE 3220 AND FINRA RULE 5330.

Initiated By:

FINRA

Date Initiated:

07/22/2015

Docket/Case Number:

FINRA 2013038427401

Principal Product Type:

Other

Other Product Type(s):

UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/22/2015

Sanctions Ordered: Censure
Monetary/Fine \$165,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$165,000.

Disclosure 3 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: OPTIONSXPRESS, INC. ("OPTIONSXPRESS"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$20,000 FOR FAILING TO OBTAIN AND REVIEW 456 OUT OF 1,758 OUTSIDE BROKERAGE ACCOUNT STATEMENTS OF ASSOCIATED PERSONS AND FAILING TO ADEQUATELY ENFORCE ITS WRITTEN POLICY AND PROCEDURES RELATED TO ITS INSIDER TRADING PROGRAM. (EXCHANGE RULES 4.2 - ADHERENCE TO LAW; 4.18 - PREVENTION OF THE MISUSE OF MATERIAL, NONPUBLIC INFORMATION; 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 15(G) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "SECURITIES EXCHANGE ACT") - PREVENTION OF THE MISUSE OF MATERIAL, NONPUBLIC INFORMATION; SECTION 17(A) OF THE SECURITIES EXCHANGE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS; AND 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 07/07/2015

Docket/Case Number: 15-0073/ STAR 20150459842

Principal Product Type: Options

Other Product Type(s):



Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	09/10/2015
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	
Sanction Details:	A \$20,000 FINE AND A CENSURE.
<hr/>	
Reporting Source:	Firm
Current Status:	Final
Allegations:	IT IS ALLEGED ON OR ABOUT OCTOBER 1, 2012 THROUGH ON OR ABOUT DECEMBER 31, 2013, THE FIRM FAILED TO OBTAIN AND REVIEW 456 OUT OF 1,758 OUTSIDE BROKERAGE ACCOUNT STATEMENTS OF ITS ASSOCIATED PERSONS. IT IS ALSO ALLEGED THE FIRM FAILED TO ADEQUATELY ENFORCE ITS WRITTEN POLICY AND PROCEDURES RELATED TO ITS INSIDER TRADING PROGRAM.
Initiated By:	CBOE (CHICAGO BOARD OPTIONS EXCHANGE, INC.) IN CONJUNCTION WITH A REGULATORY SERVICES AGREEMENT WITH FINRA
Date Initiated:	07/07/2015
Docket/Case Number:	STAR NO. 20150459842
Principal Product Type:	Other
Other Product Type(s):	OUTSIDE BROKERAGE ACCOUNT STATEMENTS OF ASSOCIATED PERSONS
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	THE FIRM HAS BEEN CENSURED AND FINED IN THE AMOUNT OF \$20,000.00 BY CBOE.
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/10/2015
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00

**Other Sanctions Ordered:**

Sanction Details:	THE FIRM HAS BEEN FINED IN THE AMOUNT OF \$20,000.00 AND A CENSURE
Firm Statement	THE FIRM HAS BEEN FINED BY CBOE IN THE AMOUNT OF \$20,000.00 AND CENSURED.

Disclosure 4 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED ITS SHORT INTEREST POSITION REPORT TO FINRA THAT INCLUDED 15 SHORT INTEREST POSITIONS OF 152,805 SHARES, WHEN THE ACTUAL SHORT INTEREST SHOULD HAVE BEEN ONE POSITION OF 62 SHARES. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR THE RULES OF FINRA CONCERNING SHORT INTEREST REPORTING.
Initiated By:	FINRA
Date Initiated:	04/29/2015
Docket/Case Number:	2013038709001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/29/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure



Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$12,500. 4/6/2015 FINE PAID IN FULL.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED ITS SHORT INTEREST POSITION REPORT TO FINRA THAT INCLUDED 15 SHORT INTEREST POSITIONS OF 152,805 SHARES, WHEN THE ACTUAL SHORT INTEREST SHOULD HAVE BEEN ONE POSITION OF 62 SHARES. IT IS ALLEDGED THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR THE RULES OF FINRA CONCERNING SHORT INTEREST REPORTING.

Initiated By: FINRA

Date Initiated: 04/29/2015

Docket/Case Number: [2013038709001](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/29/2015

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$12,500 (COMPRISED OF \$7,500.00 FOR SHORT INTEREST REPORTING AND \$5,000.00 FOR SUPERVISION).

Disclosure 5 of 27

Reporting Source: Firm

**Current Status:**

Final

Allegations:

*IT IS ALLEGED THAT DURING THE REVIEW PERIOD, OPTIONSPRESS ("FIRM" OR "OX") FAILED TO REPORT AND FAILED TO ACCURATELY REPORT A SIGNIFICANT NUMBER OF POSITIONS TO THE OCC LOPR CONNECTED TO ACCOUNTS THAT WERE ACTING IN CONCERT ("AIC") WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTIONS CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME SECURITY.

*IT IS ALLEGED THAT OX ATTEMPTED TO MODIFY A POSITION THAT HAD NOT BEEN REPORTED TO OCC LOPR AND AS A RESULT FAILED TO REPORT TO OCC LOPR CERTAIN INSTANCES BETWEEN 04/05/10 THROUGH 05/10/10 AND BETWEEN 11/23/10 THROUGH 12/10/10.

*IT IS ALLEGED THAT DURING THE PERIOD OF 01/19/10 THROUGH 12/31/11, THE FIRM FAILED TO ADEQUATELY ADDRESS ITS LOPR REJECTS WHICH CAUSED THE FIRM TO HAVE FAILED TO REPORT POSITIONS TO OCC LOPR.

*IT IS ALLEGED THAT FROM 04/08/10 THROUGH 04/13/10 THE FIRM HAD INSTANCES OF FAILING TO REPORT THE CORRECT EFFECTIVE DATE.

*IT IS ALLEGED THAT FROM 01/19/2010 THROUGH 07/18/11 THE FIRM HAD INSTANCES WHEN IT HAD FAILED TO REPORT POSITIONS TO OCC LOPR:
-WEEKLY OPTIONS FROM 06/25/10 THROUGH 02/28/11
-MONTH-END OPTIONS FROM 01/19/10 THROUGH 05/06/11
-STANDARD OPTIONS ON FRIDAY PRIOR TO SATURDAY EXPIRATION FROM 01/19/10 THROUGH 07/18/11.

*IT IS ALLEGED THAT FROM 04/01/11 THROUGH 12/31/11, THE FIRM HAD INSTANCES WHERE IT REVERSED THE TAX NUMBER CODES FOR EMPLOYER IDENTIFICATION NUMBERS AND SOCIAL SECURITY NUMBERS.

*IT IS ALLEGED THAT FROM 04/01/11 THROUGH 12/31/11, THE FIRM HAD INSTANCES WHERE IT ALLOWED ACCOUNT NAMES TO RUN OVER INTO THE ACCOUNT STREET ADDRESS FIELD.

*IT IS ALLEGED THAT FROM 04/01/11 THROUGH 12/31/11, OX HAD INSTANCES WHERE THE FIRM ALLOWED CERTAIN UNRELATED ACCOUNTS TO BE REPORTED WITH THE SAME DATA IN THE ACCOUNT STREET FIELD.

*IT IS ALLEGED THAT FROM 01/19/10 THROUGH ON OR ABOUT 11/09/11, OX HAD INSTANCES WHERE THE FIRM'S SERVICE PROVIDER INTERNAL 9 DIGIT OPTIONS SERIES IDENTIFICATION NUMBER CONTAINED AN INCORRECT VALUE IN THE 7TH DIGIT OF THE 9 - DIGIT NUMBER.



THE ABOVE-DESCRIBED VIOLATIONS RESULTED, IN PART, FROM PROGRAMMING ERRORS COMMITTED BY THE FIRM'S THIRD PARTY VENDOR. IN ADDITION, THE FIRM FAILED TO PROPERLY IDENTIFY AND AGGREGATE THE POSITIONS OF ACCOUNTS UNDER COMMON CONTROL OR ACTING IN CONCERT AND TO ADEQUATELY SUPERVISE ITS THIRD PARTY VENDOR.

DURING THE REVIEW PERIOD, IT IS ALLEGED THAT THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION AND LACKED SUFFICIENT WRITTEN SUPERVISORY PROCEDURES.

Initiated By:	NASDAQ OPTIONS MARKET LLC
Date Initiated:	03/20/2015
Docket/Case Number:	2010023686101
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/20/2015
Sanctions Ordered:	Censure Monetary/Fine \$1,750,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$2,400,000, OF WHICH \$1,750,000 SHALL BE PAID TO THE NASDAQ OPTIONS MARKET. THE BALANCE OF THE FIRM'S FINE WILL BE PAID TO FINRA MARKET PURSUANT TO A SEPARATE SETTLEMENT AGREEMENT.
Firm Statement	THE FIRM WILL VOLUNTARY IMPLEMENT OF AN EXTENSIVE PLAN TO CONDUCT IN-DEPTH REVIEWS OF THE FIRM'S COMPLETENESS AND ACCURACY OF ITS REPORTING TO THE LOPR, AND TO ASCERTAIN AND ENSURE THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES, AND TRAINING RELATING TO ACHIEVING COMPLETE AND ACCURATE REPORTING TO THE LOPR SYSTEM. THE FIRM ALSO VOLUNTARILY AGREES TO AN ON-GOING SUBMISSION OF REPORTS PROVIDED TO FINRA BY THE FIRM, ON BEHALF OF THE EXCHANGE, RELATED TO ITS IN-DEPTH REVIEWS, WHICH WILL INCLUDE BUT NOT BE



LIMITED TO ASSESSMENTS OF THE DEGREE TO WHICH THE FIRM HAS TAKEN STEPS, AS WELL AS THOSE STILL NEEDED TO BE TAKEN, TO CONFIRM THAT THE DATA IT SUBMITS TO THE LOPR SYSTEM IS COMPLETE AND ACCURATE.

Disclosure 6 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT, OR FAILED TO ACCURATELY REPORT, AN UNKNOWN BUT SIGNIFICANT NUMBER OF POSITIONS TO SECURITIES INDUSTRY AUTOMATION CORPORATION (SIAC) LARGE OPTIONS POSITIONS REPORT (LOPR). THE FINDINGS STATED THAT AFTER FINRA CONDUCTED AN ANALYSIS THROUGH SAMPLING THE FIRM'S OPTIONS POSITIONS DATA CONNECTED TO ITS SIAC LOPR OBLIGATIONS, IT WAS ESTIMATED THAT IN APPROXIMATELY 1,290,679 INSTANCES, THE FIRM HAD FAILED TO REPORT OPTIONS POSITIONS TO THE SIAC LOPR DUE TO THE FIRM'S FAILURE TO AGGREGATE POSITIONS FOR ACTING IN CONCERT (AIC) PURPOSES; AND IN APPROXIMATELY 1,546,196 INSTANCES, THE FIRM HAD FAILED TO REPORT OPTIONS POSITIONS TO THE SIAC LOPR AS AIC WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY; NONE OF THESE POSITIONS CONTAINED THEIR RELEVANT AIC IDENTIFIERS. THE ABOVE-DESCRIBED VIOLATIONS RESULTED, IN PART, FROM THE FIRM'S FAILURE TO PROPERLY IDENTIFY AND AGGREGATE THE POSITIONS OF ALL ACCOUNTS UNDER COMMON CONTROL OR THOSE AIC. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. THE FIRM ALSO LACKED SUFFICIENT WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO DETERMINE THAT LOPR SUBMISSIONS WERE ACCURATE OR THAT ALL REPORTABLE POSITIONS HAD ACTUALLY BEEN REPORTED.

Initiated By: FINRA

Date Initiated: 03/20/2015

Docket/Case Number: [2012031310901](#)

Principal Product Type: Options



Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/20/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$2,400,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$2,400,000, OF WHICH \$650,000 SHALL BE PAID TO FINRA. THE BALANCE OF THE FIRM'S FINE WILL BE PAID TO THE NASDAQ OPTIONS MARKET PURSUANT TO A SEPARATE SETTLEMENT AGREEMENT. 4/09/2015 FINE PAID IN FULL.

Regulator Statement IN ACCEPTING THIS AWC, FINRA CONSIDERED: THE REMEDIAL MEASURES IMPLEMENTED BY THE FIRM, INCLUDING THE CREATION AND ENHANCEMENT OF WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO THE REPORTING OF OPTIONS POSITIONS; THE VOLUNTARY IMPLEMENTATION OF AN EXTENSIVE PLAN TO CONDUCT IN-DEPTH REVIEWS OF THE FIRM'S COMPLETENESS AND ACCURACY OF ITS REPORTING TO THE LOPR, AND TO ASCERTAIN AND ENSURE THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES, AND TRAINING RELATING TO ACHIEVING COMPLETE AND ACCURATE REPORTING TO THE LOPR SYSTEM; AND THE VOLUNTARY ON-GOING SUBMISSION OF REPORTS TO FINRA BY THE FIRM RELATED TO ITS IN-DEPTH REVIEWS, WHICH WILL INCLUDE BUT NOT BE LIMITED TO ASSESSMENTS OF THE DEGREE TO WHICH THE FIRM HAS TAKEN STEPS, AS WELL AS THOSE STILL NEEDED TO BE TAKEN, TO CONFIRM THAT THE DATA IT SUBMITS TO THE LOPR SYSTEM IS COMPLETE AND ACCURATE.

Reporting Source: Firm

Current Status: Final



Allegations:	<p>IT IS ALLEGED THAT BETWEEN 09/11/06 AND 01/15/10, OPTIONSPRESS INC. ("FIRM" OR "OX") FAILED TO REPORT, OR FAILED TO ACCURATELY REPORT, A SIGNIFICANT NUMBER OF POSITIONS TO SIAC LOPR.</p> <p>IT IS ALSO ALLEGED THAT OX HAD FAILED TO REPORT OPTIONS POSITIONS TO THE SIAC LOPR DUE TO THE FIRM'S FAILURE TO AGGREGATE POSITIONS FOR ACTING IN CONCERT ("AIC") PURPOSES, AND THE FIRM HAD FAILED TO REPORT OPTIONS POSITIONS TO THE SIAC LOPR AS AIC WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY.</p> <p>IT IS FURTHER ALLEGED THAT DURING THE PERIOD FROM SEPTEMBER 2006 THROUGH AUGUST 2013, OX FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. THE FIRM ALSO LACKED SUFFICIENT WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO DETERMINE THAT LOPR SUBMISSIONS WERE ACCURATE OR THAT ALL REPORTABLE POSITIONS HAD ACTUALLY BEEN REPORTED.</p>
Initiated By:	FINRA
Date Initiated:	03/20/2015
Docket/Case Number:	2012031310901
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/20/2015
Sanctions Ordered:	Censure Monetary/Fine \$650,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$2,400,000, OF WHICH \$650,000 SHALL BE PAID TO FINRA. THE BALANCE OF THE FIRM'S FINE



WILL BE PAID TO THE NASDAQ OPTIONS MARKET PURSUANT TO A SEPARATE SETTLEMENT AGREEMENT.

Firm Statement

THE FIRM WILL VOLUNTARY IMPLEMENT OF AN EXTENSIVE PLAN TO CONDUCT IN-DEPTH REVIEWS OF THE FIRM'S COMPLETENESS AND ACCURACY OF ITS REPORTING TO THE LOPR, AND TO ASCERTAIN AND ENSURE THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES, AND TRAINING RELATING TO ACHIEVING COMPLETE AND ACCURATE REPORTING TO THE LOPR SYSTEM. THE FIRM ALSO VOLUNTARILY AGREES TO AN ON-GOING SUBMISSION OF REPORTS PROVIDED TO FINRA BY THE FIRM, ON BEHALF OF THE EXCHANGE, RELATED TO ITS IN-DEPTH REVIEWS, WHICH WILL INCLUDE BUT NOT BE LIMITED TO ASSESSMENTS OF THE DEGREE TO WHICH THE FIRM HAS TAKEN STEPS, AS WELL AS THOSE STILL NEEDED TO BE TAKEN, TO CONFIRM THAT THE DATA IT SUBMITS TO THE LOPR SYSTEM IS COMPLETE AND ACCURATE.

Disclosure 7 of 27

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT, OR FAILED TO ACCURATELY REPORT, AN UNKNOWN BUT SIGNIFICANT NUMBER OF POSITIONS TO THE OPTIONS CLEARING CORPORATION (OCC) LARGE OPTIONS POSITIONS REPORT (LOPR) CONNECTED TO ACCOUNTS THAT WERE ACTING IN CONCERT (AIC) WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTIONS CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY. AFTER STAFF CONDUCTED AN ANALYSIS THROUGH SAMPLING THE FIRM'S OPTIONS POSITIONS DATA CONNECTED TO ITS OCC LOPR OBLIGATIONS, IT WAS ESTIMATED THAT IN APPROXIMATELY 2,074,489 INSTANCES, THE FIRM HAD FAILED TO REPORT OPTIONS POSITIONS TO THE OCC LOPR DUE TO THE FIRM'S FAILURE TO AGGREGATE POSITIONS FOR AIC PURPOSES; AND IN APPROXIMATELY 1,612,304 INSTANCES, THE FIRM HAD FAILED TO REPORT OPTIONS POSITIONS WITH THE RELEVANT AIC IDENTIFIER TO THE OCC LOPR. THE FINDINGS STATED THAT THE FIRM ATTEMPTED TO MODIFY A POSITION THAT HAD NOT BEEN REPORTED TO THE OCC LOPR, AND AS A RESULT FAILED TO REPORT INSTANCES TO THE LOPR BETWEEN APRIL 5, 2010 AND MAY 10, 2010 AND NOVEMBER 23, 2010 AND DECEMBER 10, 2010. DURING THE PERIOD FROM JANUARY 19, 2010 THROUGH DECEMBER 31, 2013, THE FIRM FAILED TO ADEQUATELY ADDRESS ITS LOPR REJECTS, WHICH CAUSED IT TO HAVE FAILED TO REPORT POSITIONS TO THE OCC



LOPR IN AT LEAST 341,103 INSTANCES. DURING THE PERIOD FROM JANUARY 19, 2010 THROUGH DECEMBER 31, 2011, THE FIRM FAILED TO REPORT POSITIONS CORRECTLY TO THE OCC LOPR. THE ABOVE VIOLATIONS RESULTED, IN PART, FROM PROGRAMMING ERRORS COMMITTED BY THE FIRM'S THIRD-PARTY VENDOR. IN ADDITION, THE FIRM FAILED TO PROPERLY IDENTIFY AND AGGREGATE THE POSITIONS OF ALL ACCOUNTS UNDER COMMON CONTROL OR THOSE AIC AND TO ADEQUATELY SUPERVISE THE THIRD-PARTY VENDOR. THE CONDUCT DESCRIBED ABOVE CONSTITUTES A VIOLATION OF CHAPTER III, SECTION 10 OF THE NASDAQ OPTIONS MARKET (NOM) RULES. THE FINDINGS ALSO STATED THAT DURING THE PERIOD FROM JANUARY 2010 THROUGH AUGUST 2013, THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. THE FIRM ALSO LACKED SUFFICIENT WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO DETERMINE THAT LOPR SUBMISSIONS WERE ACCURATE OR THAT ALL REPORTABLE POSITIONS HAD ACTUALLY BEEN REPORTED. THE CONDUCT VIOLATED CHAPTER III, SECTION 2(A)(I) OF THE NOM RULES AND NASDAQ EXCHANGE RULES 2010A, 2110 AND 3010.

Initiated By:	NASDAQ OPTIONS MARKET LLC
Date Initiated:	03/20/2015
Docket/Case Number:	2010023686101
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/20/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure



Monetary/Fine \$2,400,000.00

Other Sanctions Ordered:

Sanction Details:

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$2,400,000, OF WHICH \$1,750,000 SHALL BE PAID TO THE NASDAQ OPTIONS MARKET. ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF AN EQUIVALENT SETTLEMENT AGREEMENT IN A RELATED MATTER BETWEEN THE FIRM AND FINRA.

Regulator Statement

IN ACCEPTING THIS AWC, FINRA CONSIDERED: THE REMEDIAL MEASURES IMPLEMENTED BY THE FIRM, INCLUDING THE CREATION AND ENHANCEMENT OF WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO THE REPORTING OF OPTIONS POSITIONS; THE VOLUNTARY IMPLEMENTATION OF AN EXTENSIVE PLAN TO CONDUCT IN-DEPTH REVIEWS OF THE FIRM'S COMPLETENESS AND ACCURACY OF ITS REPORTING TO THE LOPR, AND TO ASCERTAIN AND ENSURE THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES, AND TRAINING RELATING TO ACHIEVING COMPLETE AND ACCURATE REPORTING TO THE LOPR SYSTEM; AND THE VOLUNTARY ON-GOING SUBMISSION OF REPORTS PROVIDED TO FINRA BY THE FIRM, ON BEHALF OF THE EXCHANGE, RELATED TO ITS IN-DEPTH REVIEWS, WHICH WILL INCLUDE BUT NOT BE LIMITED TO ASSESSMENTS OF THE DEGREE TO WHICH THE FIRM HAS TAKEN STEPS, AS WELL AS THOSE STILL NEEDED TO BE TAKEN, TO CONFIRM THAT THE DATA IT SUBMITS TO THE LOPR SYSTEM IS COMPLETE AND ACCURATE.

Reporting Source:

Firm

Current Status:

Final

Allegations:

IT IS ALLEGED THAT OPTIONSPRESS ("OX" OR THE "FIRM") FAILED TO REPORT, OR FAILED TO ACCURATELY REPORT, AN UNKNOWN BUT SIGNIFICANT NUMBER OF POSITIONS TO THE OCC LOPR CONNECTED TO ACCOUNTS THAT WERE ACTING IN CONCERT ("AIC") WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTIONS CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME SECURITY. ADDITIONALLY, IT IS ALLEGED THAT THE FIRM FAILED IN A ATTEMPT TO MODIFY A POSITION WHICH RESULTED IN FAILED REPORTS TO OCC LOPR BETWEEN 04/05/10 AND 05/10/10 AND 11/23/10 AND 12/10/10, FAILED TO ADEQUATELY ADDRESS LOPR REJECTS DURING THE TIME PERIOD OF 01/19/10 AND 12/21/13. ADDITIONALLY, IT IS ALLEGED THAT OX FAILED TO REPORT POSITIONS CORRECTLY TO OCC LOPR BETWEEN 04/08/10 - 04/13/10, 01/19/10 AND 07/18/11, 04/01/11 - 12/31/11, 04/01/11 - 12/31/11, AND 01/19/10 - 11/09/11.



IT IS ALLEGED THAT THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION

Initiated By: NASDAQ OPTIONS MARKET LLC

Date Initiated: 07/26/2012

Docket/Case Number: 2010023686101

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/20/2015

Sanctions Ordered: Censure
Monetary/Fine \$2,400,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$2,400,000, OF WHICH \$1,750,000 SHALL BE PAID TO THE NASDAQ OPTIONS MARKET.

Firm Statement FINRA NOTED THE REMEDIAL MEASURES ALREADY IMPLEMENTED BY THE FIRM, INCLUDING THE CREATION AND ENHANCEMENT OF WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO THE REPORTING OF OPTIONS POSITIONS.

THE FIRM HAS VOLUNTARILY AGREED TO IMPLEMENT AN EXTENSIVE PLAN TO CONDUCT IN-DEPTH REVIEWS OF THE FIRM'S COMPLETENESS AND ACCURACY OF ITS REPORTING TO THE LOPR, AND TO ASCERTAIN AND ENSURE THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS, PROCEDURES, AND TRAINING RELATING TO ACHIEVING COMPLETE AND ACCURATE REPORTING TO THE LOPR SYSTEM; AND THE VOLUNTARY ON-GOING SUBMISSION OF REPORTS PROVIDED TO FINRA BY THE FIRM, ON BEHALF OF THE EXCHANGE, RELATED TO ITS IN-DEPTH REVIEWS, WHICH WILL INCLUDE BUT NOT BE LIMITED TO ASSESSMENTS OF THE DEGREE TO WHICH THE FIRM HAS TAKEN STEPS, AS WELL AS THOSE STILL NEEDED TO BE TAKEN, TO CONFIRM THAT THE DATA IT SUBMITS TO THE LOPR SYSTEM IS COMPLETE AND ACCURATE.

Disclosure 8 of 27

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT ADEQUATE WRITTEN SUPERVISORY POLICIES AND PROCEDURES REASONABLY DESIGNED TO REVIEW AND MONITOR CERTAIN TRANSMITTALS OF FUNDS FROM CUSTOMER ACCOUNTS TO OUTSIDE BANK ACCOUNTS USING THE ACH PROCESS. THE FIRM'S POLICIES AND PROCEDURES FOR REVIEWING ACH TRANSACTIONS FAILED TO ENSURE THAT RED FLAGS WOULD BE ADEQUATELY REVIEWED AND ESCALATED. THE FIRM'S SYSTEM OF ACH REVIEW DID NOT HAVE CLEAR OR SPECIFIC CRITERIA FOR REVIEW OF SUSPICIOUS ACTIVITY OR CLEAR DELINEATION OF RESPONSIBILITY FOR FIRST AND SECOND LEVEL REVIEW. THE FINDINGS STATED THAT THE FIRM DID NOT ADEQUATELY FOLLOW-UP ON RED FLAGS WITH REGARD TO CERTAIN TRANSFERS FROM A PARTICULAR CUSTOMER'S ACCOUNT THAT APPEARED ON EXCEPTION REPORTS THAT THE FIRM USED TO IDENTIFY POTENTIALLY SUSPICIOUS ACTIVITY. AS A RESULT, AN IDENTITY THIEF WAS ABLE TO CAUSE UNAUTHORIZED STOCK SALES AND MISAPPROPRIATE A TOTAL OF \$452,100 FROM THE CUSTOMER OF THE FIRM BY WAY OF ACH ELECTRONIC FUND TRANSFERS TO AN OUTSIDE BANK ACCOUNT NOT IN THE CUSTOMER'S NAME. THE FIRM FAILED TO ADEQUATELY FOLLOW-UP ON RED FLAGS OF POTENTIALLY SUSPICIOUS OR FRAUDULENT ACTIVITY IN THE CUSTOMER'S ACCOUNT. THESE RED FLAGS INCLUDED THE USE OF AN OUT-OF-STATE COMPUTER, FAILURE OF SECURITY QUESTIONS, A SUSPICIOUS PHONE CALL IN WHICH THE CALLER COULD NOT PROVIDE HIS MOTHER'S MAIDEN NAME, A CHANGED EMAIL ADDRESS, A CHANGED SECURITY PIN AND NEW ACH LINK ESTABLISHED AND MULTIPLE ACH TRANSFERS ENTIRELY DRAINING THE ACCOUNT OF FUNDS WITHIN A THIRTY-DAY PERIOD. WHILE THE FIRM'S PERSONNEL NOTED CERTAIN IRREGULARITIES IN ITS REVIEW OF THE LARGE ACH REPORT, THE FIRM FAILED TO ADEQUATELY FOLLOW-UP ON THE INDICIA OF FRAUD, IDENTIFY THE RISKS IN THE TRANSFERS AND TAKE APPROPRIATE REMEDIAL ACTION. THE FINDINGS ALSO STATED THAT AFTER EACH ACH TRANSFER, MADE BY THE IDENTITY THIEF, THE FIRM PLACED AN AUTOMATED TELEPHONE CALL TO THE CUSTOMER'S CELL PHONE CONFIRMING THE TRANSFER. HOWEVER, THE FIRM DID NOT CONFIRM THAT THE CUSTOMER RECEIVED THE MESSAGES OR OTHERWISE SPEAK WITH HIM REGARDING THE TRANSFERS. THE FIRM ALSO SENT EMAILS TO THE ADDRESS ON FILE, WHICH THE CUSTOMER DID NOT RECEIVE BECAUSE THE IDENTIFY THIEF HAD CHANGED THE EMAIL ASSOCIATED WITH THE ACCOUNT. LATER, THE CUSTOMER CONTACTED THE FIRM AND INFORMED IT THAT THE ACH TRANSFERS AND THE STOCK SALES WERE UNAUTHORIZED. THE FIRM THEN FROZE THE ACCOUNT, AND ULTIMATELY REIMBURSED THE CUSTOMER THE MONEY MISAPPROPRIATED BY THE



IDENTITY THIEF.

Initiated By:	FINRA
Date Initiated:	03/17/2015
Docket/Case Number:	2012034190001
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED STOCKS SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/17/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$150,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$150,000, AND REQUIRED TO CERTIFY TO FINRA THAT IT HAS IMPLEMENTED WRITTEN AUTOMATED CLEARING HOUSE (ACH) TRANSFER REVIEW PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS IN THE AWC.
<hr/>	
Reporting Source:	Firm
Current Status:	Final
Allegations:	ALLEGED VIOLATION RULE OF NASD RULES 3012 AND 3010 WHICH CONSTITUTES A VIOLATION OF FINRA RULE 2010. BETWEEN THE PERIOD OF FEBRUARY TO APRIL 2012, IT IS ALLEGED THAT THE FIRM FAILED TO IMPLEMENT ADEQUATE WRITTEN SUPERVISORY POLICIES AND PROCEDURES REASONABLY DESIGNED TO REVIEW AND MONITOR CERTAIN ACH TRANSFERS OF FUNDS FROM CUSTOMER ACCOUNTS TO OUTSIDE BANK ACCOUNTS. IT IS ALSO ALLEGED THAT THE FIRM FAILED TO ADEQUATELY FOLLOW-UP ON RED FLAGS OF POTENTIALLY



SUSPICIOUS OR FRAUDULENT ACTIVITY IN AN OX CUSTOMER'S ACCOUNT.

Initiated By: FINRA

Date Initiated: 03/04/2015

Docket/Case Number: NO. 2012034190001

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

1. A CENSURE; AND,
2. A FINE IN THE AMOUNT OF \$150,000
3. OX AGREEMENT TO COMPLY WITH THE FOLLOWING UNDERTAKING:
WITHIN 30 DAYS OF THE ISSUANCE OF A NOTICE OF ACCEPTANCE OF THE LETTER OF ACCEPTANCE, WAIVER, AND CONSENT ("AWC"), AN OFFICER OF THE FIRM SHALL CERTIFY IN WRITING TO FINRA'S DEPARTMENT OF ENFORCEMENT THAT THE FIRM HAS IMPLEMENTED WRITTEN ACH TRANSFER REVIEW PROCEDURES TO ADDRESS AND CORRECT THE ALLEGED VIOLATIONS DESCRIBED IN THE AWC.

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/17/2015

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered:

Sanction Details: \$150,000.00 FINE AND CENSURE.

Firm Statement FINRA ALLEGED THAT THE FIRM VIOLATED NASD RULES 3012 AND 3010 WHICH CONSTITUTES A VIOLATION OF FINRA RULE 2010. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM AGREED TO THE SPECIFIED SANCTIONS.

Disclosure 9 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM FAILED TO RETAIN TEXT MESSAGES ON FIRM ISSUED CELLULAR DEVICES FROM MAY 2010 THROUGH APRIL 2013. THIS CONSTITUTES A VIOLATION OF ISE RULE 1400(A). THE FIRM FAILED TO RETAIN COMPLETE BILLING RECORDS FOR FIRM ISSUED CELLULAR DEVICES FROM MAY 2010 THROUGH APRIL 2013. THIS CONSTITUTES A VIOLATION OF ISE RULE



1400(A). THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION OF TEXT MESSAGES SENT OR RECEIVED BY EMPLOYEES ON FIRM ISSUED CELLULAR DEVICES FROM 2007 THROUGH APRIL 2013. THIS CONSTITUTES A VIOLATION OF ISE RULE 401. FIRM FAILED TO HAVE REASONABLE WSP'S IN PLACE TO SUPERVISE THE CONTENT & RETENTION OF TEXT MESSAGES FROM THE PERIOD 2007 TO APRIL 2013. THIS CONSTITUTES A VIOLATION OF ISE RULE 401.

Initiated By: INTERNATIONAL SECURITIES EXCHANGE

Date Initiated: 05/14/2014

Docket/Case Number: 20130364136

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/23/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$125,000.00

Other Sanctions Ordered:

Sanction Details: FIRM FINED \$125,000.00

Reporting Source: Firm

Current Status: Final

Allegations:

1. IT IS ALLEGED THAT OPTIONSPRESS ("FIRM") FAILED TO RETAIN TEXT MESSAGES SENT OR RECEIVED BY FIRM EMPLOYEES ON FIRM-ISSUED CELLULAR DEVICES BETWEEN MAY 2010 AND APRIL 2013.
2. IT IS ALLEGED THAT THE FIRM FAILED TO RETAIN COMPLETE BILLING RECORDS FOR FIRM-ISSUED CELLULAR DEVICES USED BY FIRM EMPLOYEES BETWEEN MAY 2010 AND APRIL 2013.



3. IT IS ALLEGED THAT THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION DESIGNED TO REVIEW THE CONTENTS OF TEXT MESSAGES SENT OR RECEIVED BY FIRM EMPLOYEES ON FIRM-ISSUED CELLULAR DEVICES FROM 2007 THROUGH APRIL 2013.

4. IT IS ALLEGED THAT THE FIRM FAILED TO HAVE ADEQUATE WSPS IN PLACE TO SUPERVISE THE CONTENT AND RETENTION OF TEXT MESSAGES SENT OR RECEIVED BY FIRM EMPLOYEES ON FIRM-ISSUED CELLULAR DEVICES FROM 2007 THROUGH APRIL 2013

Initiated By: FINRA ON BEHALF OF INTERNATIONAL SECURITIES EXCHANGE

Date Initiated: 04/17/2013

Docket/Case Number: 20130364136

Principal Product Type: Options

Other Product Type(s): EQUITIES AND FUTURES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/26/2014

Sanctions Ordered: Monetary/Fine \$125,000.00

Other Sanctions Ordered: NONE

Sanction Details: ON JUNE 19, 2014, WITHOUT THE FIRM ADMITTING OR DENYING GUILT, THE ISE BUSINESS CONDUCT COMMITTEE APPROVED THE NEGOTIATED SETTLEMENT BETWEEN THE FIRM AND FINRA ON BEHALF OF THE ISE.

Disclosure 10 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT UNDER THE TERMS OF A COACHING SERVICES AGREEMENT, IT GRANTED A THIRD PARTY SERVICE PROVIDER THE RIGHT TO DEVELOP, MARKET, SELL, FULFILL, AND MANAGE EDUCATIONAL COACHING PROGRAMS FOR EXISTING AND FUTURE CUSTOMERS OF THEM FIRM. THE FINDINGS STATED THAT THE FIRM FURTHER GRANTED THE SERVICE PROVIDER A LIMITED NON-EXCLUSIVE LICENSE TO USE ITS TRADE NAMES AND



TRADEMARKS SOLELY IN CONNECTION WITH THE COACHING PROGRAM. THE FIRM RECEIVED \$879,538 OF GROSS REVENUE FROM THE COACHING PROGRAM. THE FIRM NEITHER ADOPTED NOR IMPLEMENTED ANY POLICIES OR PROCEDURES TO SUPERVISE ITS EMPLOYEES IN THEIR REVIEW AND APPROVAL OF THE MARKETING SCRIPTS USED BY THE SERVICE PROVIDER OR TO ENSURE THAT ITS EMPLOYEES MONITORED THE SERVICE PROVIDER PERSONNEL'S INTERACTIONS WITH FIRM CUSTOMERS. THE FINDINGS ALSO STATED THAT THE FIRM APPROVED MARKETING MATERIALS FOR THE SERVICE PROVIDER THAT UNFAIRLY SUGGESTED TO ITS CUSTOMERS THAT THE COACHING PROGRAM OFFERED BY THE SERVICE PROVIDER WAS RUN BY THE FIRM. IN ADDITION, MARKETING SCRIPTS APPROVED BY THE FIRM FAILED TO PROVIDE A FAIR AND BALANCED TREATMENT OF THE RISKS INHERENT IN OPTIONS TRADING NOTWITHSTANDING PARTICIPATION IN THE COACHING PROGRAM. THE FINDINGS ALSO INCLUDED THAT THE FIRM ENGAGED IN A RETAIL OVER-THE-COUNTER (OTC) FOREIGN EXCHANGE BUSINESS PRIOR TO RECEIVING APPROVAL TO DO SO

Initiated By:	FINRA
Date Initiated:	05/21/2014
Docket/Case Number:	2012030742601
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/21/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$275,000.00
Other Sanctions Ordered:	
Sanction Details:	SEE ABOVE



Regulator Statement FINE PAID JUNE 6, 2014

Reporting Source: Firm

Current Status: Final

Allegations: 1. THE FIRM FAILED TO ADOPT OR IMPLEMENT POLICIES AND PROCEDURE TO SUPERVISE ITS EMPLOYEES IN THEIR REVIEW AND APPROVAL OF MARKETING SCRIPTS USED GBT, A THIRD PARTY SERVICE PROVIDER, AND TO REQUIRE ITS EMPLOYEES TO MONITOR COACHING SESSIONS. 2. BETWEEN APRIL 26, 2011 AND JULY 15, 2011, THE FIRM ENGAGED IN RETAIL OVER-THE-COUNTER FOREIGN EXCHANGE BUSINESS (FOREX) BUSINESS PRIOR TO RECEIVING FINRA APPROVAL OF ITS RULE 1017 APPLICATION.

Initiated By: FINRA

Date Initiated: 02/27/2012

Docket/Case Number: [2012030742601](#)

Principal Product Type: Options

Other Product Type(s): EQUITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: A FINE OF \$275,000

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/21/2014

Sanctions Ordered: Censure
Monetary/Fine \$275,000.00

Other Sanctions Ordered: NONE

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, OPTIONSPRESS CONSENTED TO THE IMPOSITION OF A CENSURE AND A FINE OF \$275,000

Firm Statement BETWEEN MARCH 2007 AND MARCH 2012, OX (THE "FIRM") CONTRACTED A THIRD PARTY SERVICE PROVIDER, GBT, TO PROVIDE OPTIONS TRAINING COACHING SERVICES TO THE FIRM'S CUSTOMERS. UNDER THE TERMS OF THE CONTRACT, THE FIRM RETAINED THE RIGHT TO EXERCISE DISCRETION AND CONTROL OVER HIRING, TRAINING, AND CERTIFICATION OF GBT COACHES AND TO HAVE ACCESS TO THE RECORDINGS OF COACHING SESSIONS TO MONITOR THEM FOR COMPLIANCE. THE FIRM FAILED TO ADOPT OR IMPLEMENT POLICIES AND PROCEDURES TO



SUPERVISE ITS EMPLOYEES IN THEIR REVIEW AND APPROVAL OF MARKETING SCRIPTS USED BY GBT AND TO REQUIRE ITS EMPLOYEES TO MONITOR COACHING SESSIONS. IN ADDITION, THE FIRM APPROVED MARKETING SCRIPTS USED BY GBT THAT FAILED TO PRESENT A FAIR AND BALANCED DESCRIPTION OF THE RISKS AND POTENTIAL BENEFITS OF THE PROGRAM.

BETWEEN APRIL 26, 2011 AND JULY 15, 2011, THE FIRM ENGAGED IN RETAIL FOREX TRADING THROUGH ITS PLATFORM BEFORE FINRA APPROVED IT RULE 1017 APPLICATION

Disclosure 11 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	OPTIONSXPRESS, INC. ("OPTIONSXPRESS"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$10,000 FOR THE FOLLOWING CONDUCT. OPTIONSXPRESS FAILED TO CLOSE OUT TWO FAIL-TO-DELIVER POSITIONS IN ACCORDANCE WITH RULE 204 OF REGULATION SHO. (EXCHANGE RULE 4.2 - ADHERENCE TO LAW AND REGULATION SHO PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND RULE 204 - CLOSE-OUT REQUIREMENT, THEREUNDER)
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	02/25/2014
Docket/Case Number:	14-0006
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	09/08/2014
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	A \$10,000 AND A CENSURE.



Reporting Source: Firm

Current Status: Final

Allegations: IT IS ALLEGED THAT OPTIONSPRESS FAILED TO CLOSE OUT TWO FAIL-TO-DELIVER POSITIONS IN ACCORDANCE REGULATION SHO RULE 204 OF THE ACT. (VIOLATIONS OF EXCHANGE RULES 4.2 AND RULE 204 OF REGULATION SHO)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 02/25/2014

Docket/Case Number: 14-0006

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 09/08/2014

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: A FINE OF \$10,000 AND A CENSURE ON THE FIRM HAS BEEN ISSUED. THE ENTIRE \$10,000 HAS BEEN LEVIED AGAINST THE FIRM.

Disclosure 12 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: OPTIONSPRESS, INC., ("OPTIONSPRESS"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$450,000 FOR THE FOLLOWING CONDUCT. DURING THE APPROXIMATE TIME PERIOD FROM IN OR ABOUT MARCH 2011 THROUGH IN OR ABOUT DECEMBER 2011, OPTIONSPRESS (I) MADE SIXTEEN SEPARATE AND DISTINCT FUND WITHDRAWALS FROM ITS CUSTOMER RESERVE BANK ACCOUNT CAUSING THE CUSTOMER RESERVE BANK ACCOUNT TO BE DEFICIENT; (II) FAILED



TO PREPARE A CUSTOMER RESERVE COMPUTATION TO SUPPORT EACH OF THE SIXTEEN SEPARATE AND DISTINCT FUND WITHDRAWALS FROM ITS CUSTOMER RESERVE BANK ACCOUNT; AND (III) FAILED TO ADEQUATELY SUPERVISE TO ASSURE COMPLIANCE WITH THE CUSTOMER RESERVE REQUIREMENTS OF RULE 15C3-3 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, (THE "ACT"), IN CONNECTION WITH THE CONDUCT DESCRIBED IN (I) AND (II). (EXCHANGE RULES 4.2 - ADHERENCE TO LAW AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, (THE "ACT") AND RULE 15C3-3 - CUSTOMER PROTECTION THEREUNDER; AND SECTION 17(A) OF THE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS AND 17A-5 - REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 08/29/2013

Docket/Case Number: 13-0041

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 09/18/2013

Sanctions Ordered: Censure
Monetary/Fine \$450,000.00

Other Sanctions Ordered:

Sanction Details: A \$450,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: THE CBOE ALLEGED IN OR ABOUT MARCH 2011, THROUGH IN OR ABOUT DECEMBER 2011, THAT OPTIONSPRESS VIOLATED EXCHANGE RULES 4.2,



AND 15.1; SECTION 15(C) OF THE ACT AND RULE 15C3-3; SECTION 17 (A) OF THE ACT AND RULES 17A-3, 17A-4, AND 17A-5 IN THAT OPTIONSXPRESS MADE SIXTEEN SEPARATE AND DISTINCT FUND WITHDRAWALS FROM ITS CUSTOMER RESERVE BANK ACCOUNT CAUSING THE CUSTOMER RESERVE BANK ACCOUNT TO BE DEFICIENT AND FAILED TO PREPARE A CUSTOMER RESERVE COMPUTATION TO SUPPORT THE SIXTEEN SEPARATE AND DISTINCT FUND WITHDRAWALS FROM ITS CUSTOMER RESERVE BANK ACCOUNT. IN ADDITION, THE CBOE ALLEGED THAT OPTIONSXPRESS FAILED TO ADEQUATELY SUPERVISE TO ASSURE COMPLIANCE WITH CUSTOMER RESERVE REQUIREMENTS OF RULE 15C3-3 OF THE ACT.

Initiated By: CHICAGO BOARD OF OPTIONS EXCHANGE, INC.

Date Initiated: 08/29/2013

Docket/Case Number: 13-0041

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Consent

Resolution Date: 09/18/2013

Sanctions Ordered: Censure
Monetary/Fine \$450,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS. THE FINE OF 450,000.00 WAS PAID ON 10/03/2013.

Disclosure 13 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: MSRB RULES G-14, G-14(B)(II), G-27 - OPTIONSXPRESS INC. FAILED TO REPORT THE CORRECT DESTINATION CODE TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN ITS MUNICIPAL SECURITIES TRANSACTION REPORTS; THE FIRM REPORTED TRANSACTIONS AS "STEP-



OUTS" WHEN IT SHOULD HAVE REPORTED THEM AS INTER-DEALER TRANSACTIONS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND MSRB RULES CONCERNING MUNICIPAL TRADE REPORTING. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL; THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TRADE TIME TO AN RTRS PORTAL.

Initiated By: FINRA

Date Initiated: 12/07/2012

Docket/Case Number: [2010024033301](#)

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/07/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$25,000 FOR MSRB RULE VIOLATIONS AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING MUNICIPAL TRADE REPORTING WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON 12/24/12.



Reporting Source:	Firm
Current Status:	Final
Allegations:	DURING REVIEW PERIOD, FIRM FAILED TO REPORT THE CORRECT DESTINATION CODE TO THE REAL-TIME TRANSACTION REPORTING SYSTEM ("RTRS"). FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS, REGULATIONS AND MSRB RULES, CONCERNING MUNICIPAL TRADE REPORTING.
Initiated By:	FINRA
Date Initiated:	12/07/2012
Docket/Case Number:	2010024033301
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	MARKET REG REVIEW AND REFERRAL FOR DISCIPLINARY ACTION
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/07/2012
Sanctions Ordered:	Censure Monetary/Fine \$25,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM HAS SUBMITTED A LETTER OF CONSENT, AGREED TO PAY A FINE OF \$25000, TO BE CENSURED, AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE MUNICIPAL TRADE REPORTING WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THE AWC.

Disclosure 14 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	OPTIONSXPRESS, INC. A TPH ORGANIZATION REGISTERED TO TRANSACT BUSINESS ON CBOE IN ACCORDANCE WITH EXCHANGE RULES AND



APPROVED TO CONDUCT A NON-MEMBER CUSTOMER BUSINESS, WAS CENSURED AND FINED \$500,000 FOR THE CONDUCT DESCRIBED BELOW. IN DETERMINING THE LEVEL OF SANCTION, THE COMMITTEE CONSIDERED THE SUBJECT'S PRIOR DISCIPLINARY HISTORY, THE LENGTH OF TIME CONCERNING THE MISCONDUCT AT ISSUE, THE RECIDIVIST ACTIVITY THAT CONCERNS THE SUBJECT OF THIS MATTER AND THE FIRM'S LACK OF A CULTURE OF COMPLIANCE. OPTIONSXPRESS: (I) FAILED TO CREATE AND MAINTAIN A DAILY RECORD EVIDENCING THE CALCULATION PERFORMED TO DEDUCT AGGREGATE OUTSTANDING PORTFOLIO MARGIN CALLS AGED T+1 OR MORE FROM NET CAPITAL; (II) FAILED TO HAVE A REGULAR REVIEW AND TESTING OF ITS PORTFOLIO MARGIN WRITTEN RISK ANALYSIS PROCEDURES BY AN INDEPENDENT INTERNAL OR EXTERNAL AUDIT UNIT; (III) UNDER-RESERVED ITS CUSTOMER RESERVE BANK ACCOUNT FOR 13 OF 14 MONTH-END COMPUTATIONS SAMPLED; (IV) ENTERED APPROXIMATELY 1013 AIM AUCTION ORDERS REPRESENTING APPROXIMATELY 14,723 OPTION CONTRACTS, AND CAUSED AN EARLY TERMINATION OF THE AUCTION BY SENDING A REMAINDER ORDER TO THE EXCHANGE IMMEDIATELY AFTER ROUTING THE SAME CUSTOMER'S ORDER TO AIM; AND (V) FAILED TO ADEQUATELY TO SUPERVISE BY FAILING TO PREVENT THE CONDUCT. (CBOE EXCHANGE RULES 4.1, 4.2, 6.74A .02, 13.5(C), 15.1 AND 15.8A; SECTION 15(C) OF THE ACT AND RULE 15C3-1 AND 15C3-3 THEREUNDER AND SECTION 17(A) OF THE ACT AND RULES 17A-3, 17A-4 AND 17A-5 THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 06/15/2012

Docket/Case Number: 12-0041

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 06/28/2012

Sanctions Ordered: Censure
Monetary/Fine \$500,000.00

Other Sanctions Ordered:



Sanction Details: A FIVE HUNDRED THOUSAND DOLLAR (\$500,000) FINE AND A CENSURE. IN DETERMINING THE LEVEL OF SANCTION, THE COMMITTEE CONSIDERED THE SUBJECTS PRIOR DISCIPLINARY HISTORY, THE LENGTH OF TIME CONCERNING THE MISCONDUCT AT ISSUE, THE RECIDIVIST ACTIVITY THAT CONCERNS THE SUBJECT OF THIS MATTER AND THE FIRM'S LACK OF A CULTURE OF COMPLIANCE.

Reporting Source: Firm

Current Status: Final

Allegations: THE CHICAGO BOARD OF OPTIONS EXCHANGE, INC. ("EXCHANGE") FOUND THAT DURING THE APPROXIMATE PERIOD FROM IN OR ABOUT JANUARY 2010 THROUGH ON OR ABOUT MAY 26, 2011, OPTIONSXPRESS, INC. (OPTIONSXPRESS) FAILED TO CREATE AND MAINTAIN A DAILY RECORD EVIDENCING THE CALCULATION PERFORMED TO DEDUCT AGGREGATE OUTSTANDING PORTFOLIO MARGIN CALLS AGED T+1 FROM NET CAPITAL AS REQUIRED BY EXCHANGE RULES 4.1, 4.2, 13.5(C), 15.1 AND SECTION 15(C) OF THE ACT AND RULE 15C3-1 AND SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "ACT") AND RULES 17A-3 AND 17A-4 BY OPTIONSXPRESS. THE EXCHANGE FURTHER FOUND THAT FROM JANUARY 1, 2010 THROUGH JUNE 30, 2011 OPTIONSXPRESS DID NOT HAVE A REGULAR REVIEW AND TESTING OF ITS PORTFOLIO MARGIN WRITTEN RISK ANALYSIS PROCEDURES BY AN INDEPENDENT INTERNAL OR EXTERNAL AUDIT UNIT, IN VIOLATION OF EXCHANGE RULES 4.1, 4.2 AND 15.8A. THE EXCHANGE ALSO FOUND THAT, FROM JANUARY 1, 2010 THROUGH JUNE 30, 2011, OPTIONSXPRESS UNDER-RESERVED ITS CUSTOMER RESERVE BANK ACCOUNT FOR 13 OF 14 MONTH-END COMPUTATIONS SAMPLED, IN VIOLATION OF EXCHANGE RULES 4.2 AND 15.1, AND SECTIONS 15(C) AND 17(A) OF THE ACT AND RULES 15C3-3, 17A-3 AND 17A-5 THEREUNDER. DURING THE PERIOD MAY 2010 THROUGH JUNE 2011, THE EXCHANGE FOUND THAT OPTIONSXPRESS ENTERED EARLY TERMINATION INSTRUCTIONS IN THE EXCHANGE'S AIM AUCTIONS, IN VIOLATION OF EXCHANGE RULES 4.1 AND 6.74A .02. THE EXCHANGE ALSO FOUND THAT THE FAILURE OF OPTIONSXPRESS TO HAVE PREVENTED THE ABOVE-REFERENCED CONSTITUTED A FAILURE TO ADEQUATELY SUPERVISE, IN VIOLATION OF EXCHANGE RULE 4.2.

Initiated By: CHICAGO BOARD OF OPTIONS EXCHANGE, INC.

Date Initiated: 06/15/2012

Docket/Case Number: 12-0041

Principal Product Type: Options

Other Product Type(s):



Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	NO OTHER SANCTIONS.
Resolution:	Consent
Resolution Date:	06/28/2012
Sanctions Ordered:	Censure Monetary/Fine \$500,000.00
Other Sanctions Ordered:	NO OTHER SANCTIONS.
Sanction Details:	NO OTHER SANCTIONS.
Firm Statement	OPTIONSXPRESS SETTLED THIS MATTER, WITHOUT ADMITTING OR DENYING THE ALLEGATION, AND CONSENTED TO A CENSURE AND FINE OF \$500,000.00.

Disclosure 15 of 27

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE STATE OF FLORIDA ALLEGES THAT SCHWAB DISTRIBUTED CONFIRMATIONS TO FLORIDA CUSTOMERS THAT CONTAINED INACCURATE INFORMATION REGARDING MUNICIPAL BONDS, CORPORATE BONDS AND PREFERRED EQUITY SECURITIES ON CERTAIN OCCASSIONS DURING THE TIME PERIOD 2008 TO 2011 IN VIOLATION OF RULE 69W-600.13(1)(H)(5) AND 69W-600.012(1) OF THE STATE OF THE FLORIDA ADMINISTRATIVE CODE. THE STATE OF FLORIDA ALSO ALLEGES SCHWAB FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES REGARDING REVIEW OF DESCRIPTIVE INFORMATION FOR FIXED INCOME AND PREFERRED EQUITY SECURITIES ON CONFIRMATIONS IN VIOLATION OF RULES 69W-600.13(1)(H)(1) AND 600.013(1)(H)(5).
Initiated By:	STATE OF FLORIDA OFFICE OF FINANCIAL REGULATION
Date Initiated:	03/22/2012
Docket/Case Number:	0569-58/11
Principal Product Type:	Debt - Municipal
Other Product Type(s):	DEBT-CORPORATE EQUITY LISTED (COMMON & PREFERRED STOCK)
Principal Sanction(s)/Relief Sought:	Other



Other Sanction(s)/Relief Sought:	ADMINISTRATIVE PROCESSING; ADMINISTRATIVE FINE.
Resolution:	Stipulation and Consent
Resolution Date:	03/26/2012
Sanctions Ordered:	Monetary/Fine \$1,100,000.00
Other Sanctions Ordered:	
Sanction Details:	1-AMEND AND CORRECT THE DEFICIENCIES IN ITS SUPERVISORY PROCEDURES FOR REVIEWING ACCURACY OF DESCRIPTIVE INFORMATION PERTAINING TO FIXED INCOME AND PREFERRED EQUITY SECURITIES. 2 - WITHIN 30 DAYS OFFER RECISSION TO FLORIDA CUSTOMERS WHO RECIEVED CONFIRMATIONS CONTAINING INACCURATE INFORMATION WITH RESPECT TO 69 SPECIFIC TRANSACTIONS.
Firm Statement	SCHWAB SHALL PAY THE ADMINISTRATIVE FINE WITHIN 10 DAYS AFTER FULL EXECUTION OF STIPULATION AND CONSENT AGREEMENT, WITHIN 180 DAYS AMEND ITS SUPERVISORY PROCEDURES FOR REVIEWING THE ACCURACY OF DESCRIPTIVE INFORMATION PRETAINING TO FIXED INCOME AND PREFERED EQUITY SECURITIES. NO LATER THAN JUNE 30, 2013 AMEND AND CORRECT DEFICIENCIES IN OPERATIONAL PROCEDURES. WITHOUT ADMITTING LIABILITY, SCHWAB HAS AGREED TO OFFER RECISSION TO FLORIDA CUSTOMERS WHO RECEIVED CONFIRMATIONS CONTAINING INACCURATE INFORMATION WITH RESPECT TO 69 SPECIFIC TRANSACTIONS WITHIN 30 DAYS AFTER FULL EXECUTION OF THE STIPULATION AND CONSENT AGREEMENT.

Disclosure 16 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC ADMINISTRATIVE RELEASE 34-66831, INVESTMENT COMPANY ACT RELEASE 40-30039, APRIL 19, 2012: THE SECURITIES AND EXCHANGE COMMISSION DEEMED IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 9(B) OF THE INVESTMENT COMPANY ACT OF 1940 AGAINST RESPONDENT (OPTIONSXPRESS). OPTIONSXPRESS CAUSED AND WILLFULLY AIDED AND ABETTED THE VIOLATIONS OF SECTIONS 15(A) AND 15(B)(8) OF THE EXCHANGE ACT. ON DECEMBER 31, 2008, AN EXAMINER OF CBOE SENT AN EMAIL TO THE OTHER RESPONDENT FIRM'S CHIEF FINANCIAL OFFICER ASKING WHY HIS FIRM LOST MORE THAN 15% OF ITS EXCESS NET CAPITAL IN NOVEMBER



2008. THE CBOE EXAMINER ALSO ASKED THE OTHER FIRM TO COMPLETE A MEMBER QUESTIONNAIRE AND INQUIRED WHETHER IT ONLY CONDUCTED PROPRIETARY TRADING OR WHETHER IT ALSO ACTED AS A MARKET MAKER. HE COMPLETED THE QUESTIONNAIRE STATING THAT THE FIRM CONDUCTED ONLY PROPRIETARY TRADING. THE QUESTIONNAIRE DID NOT LIST AN OUTSIDE AUDITOR FOR THE FIRM. HE DID NOT RESPOND TO THE EXAMINER'S INQUIRY ABOUT THE NOVEMBER 2008 LOSS. THE CBOE EXAMINER AGAIN ASKED THE CHIEF FINANCIAL OFFICER FOR A DETAILED EXPLANATION OF THE FIRM'S NOVEMBER LOSS AND TOLD HIM THAT HIS FIRM WAS REQUIRED TO HAVE AN ANNUAL AUDIT BASED ON ITS CBOE MEMBERSHIP STATUS. HE RESPONDED THAT THE LOSS WAS "DUE TO THE CONVERSION FROM THE INVENTORY RANGE TO THE CUSTOMER RANGE BECAUSE OF OUR DESIRE FOR OPTIONSXPRESS, INC. THE CLEARING FIRM, TO BE ABLE TO CLASSIFY ITS MARGIN DEBIT RECEIVABLE FROM THE OTHER FIRM AS A 'GOOD' ASSET." DESPITE CBOE'S REQUEST, HE REFUSED TO PAY FOR AN AUDIT AND SUBSEQUENTLY DECIDED TO TERMINATE THE OTHER RESPONDENT FIRM'S CBOE MEMBERSHIP ON MARCH 2, 2009. DESPITE TERMINATING ITS CBOE MEMBERSHIP, IT CONTINUED TO CONDUCT THE SAME TRADING, BUT THROUGH A CUSTOMER PORTFOLIO MARGIN ACCOUNT AT OPTIONSXPRESS. THE CHIEF FINANCIAL OFFICER DID NOT INFORM THE CBOE THAT THE OTHER FIRM WOULD CONTINUE ITS OPERATIONS AS A CUSTOMER OF OPTIONSXPRESS. THE COMMISSION INFORMED THE OTHER RESPONDENT FIRM THAT IT COULD NOT ENGAGE IN THE SECURITIES BUSINESS UNLESS IT WAS A MEMBER OF AN EXCHANGE OR THE NASD. THE CHIEF FINANCIAL OFFICER FILED A FORM WITH THE COMMISSION TO DEREGISTER THE OTHER FIRM AS A BROKER-DEALER. DEREGISTRATION BECAME EFFECTIVE OCTOBER 17, 2009, BUT THE FIRM CONTINUED TO TRADE THROUGH A CUSTOMER PORTFOLIO MARGIN ACCOUNT AT OPTIONSXPRESS. ON JULY 29, 2011, THE STAFF ISSUED A WELLS NOTICE TO OPTIONSXPRESS ADVISING THAT THE STAFF INTENDED TO RECOMMEND TO THE COMMISSION THAT IT INSTITUTE PROCEEDINGS AGAINST IT IN CONNECTION WITH THE OTHER FIRM'S OPERATION AS AN UNREGISTERED DEALER. ON AUGUST 1, 2011, THE CHIEF COMPLIANCE OFFICER OF THE FIRM DRAFTED AN ALLEGEDLY EXCULPATORY LETTER ON OPTIONSXPRESS LETTERHEAD THAT HE BACKDATED TO FEBRUARY 2, 2009. THE LETTER WAS ADDRESSED TO CBOE AND SIGNED BY HIM. THE LETTER WAS PURPORTED TO SHOW THAT HE HAD INFORMED CBOE THAT HIS FIRM WOULD DE-REGISTER AND BECOME A CUSTOMER OF OPTIONSXPRESS. ALTHOUGH IT WAS NOT EVENTUALLY ATTACHED TO THE WELLS RESPONSE, THE CONTENTS AND EXCULPATORY PURPOSE OF THE FABRICATED LETTER WERE REFLECTED IN THE WELLS RESPONSE. HE FABRICATED A SECOND ALLEGEDLY EXCULPATORY BACKDATED DOCUMENT AND AMENDED IT. THE LETTER WAS ATTACHED TO A WELLS RESPONSE SUBMITTED TO THE CBOE IN AN



UNRELATED PROCEEDING. ON FEBRUARY 27, 2012, THE WHOLLY-OWNED SUBSIDIARY OF OPTIONSXPRESS AND THE OTHER FIRM INFORMED THE COMMISSION, PURSUANT TO RULES 17A-5(H)(2) AND 17A-11(E) AND (G), THAT IT HAD IDENTIFIED A MATERIAL INTERNAL CONTROL INADEQUACY AT THE OTHER FIRM.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	04/19/2012
Docket/Case Number:	3-14853
Principal Product Type:	Options
Other Product Type(s):	COMPANIES' SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	10/22/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	THE COMMISSION DEEMED IT APPROPRIATE, IN THE PUBLIC INTEREST, TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT, IT IS HEREBY ORDERED THAT OPTIONSXPRESS CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(A) AND 15(B)(8) OF THE EXCHANGE ACT.
Regulator Statement	SEC ADMIN RELEASE 34-70739, OCTOBER 22, 2013: OPTIONSXPRESS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND



THE SUBJECT MATTER OF THEE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTED TO THE ENTRY OF THE ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT ("ORDER").

THE COMMISSION FOUND THAT AS A RESULT OF THE CONDUCT, OPTIONSXPRESS CAUSED THE OTHER FIRM'S VIOLATIONS OF SECTIONS 15(A) AND 15(B)(8) OF THE EXCHANGE ACT.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE SEC ALLEGED THAT OX TRADING, LLC WILLFULLY VIOLATED SECTIONS 15(A) AND 15(B)(8) OF THE EXCHANGE ACT. MR STERN AND OPTIONSXPRESS, INC. CAUSED AND WILFULLY AIDED AND ABETTED OX TRADING'S VIOLATIONS OF SECTIONS 15(A) AND 15(B)(8) AND THE EXCHANGE ACT.
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	04/19/2012
Docket/Case Number:	# 3-14853
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Disgorgement
Other Sanction(s)/Relief Sought:	IN ADDITION TO THE ABOVE DISGORGEMENT, OX TRADING SHALL PAY PREJUDGMENT INTEREST. OX TRADING IS CENSURED. OX TRADING SHALL PAY A CIVIL MONETARY PENALTY. OX TRADING, THOMAS E. STERN AND OPTIONSXPRESS MUST CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS. MR. STERN SHALL PAY A CIVIL MONETARY PENALTY.
Resolution:	Order
Resolution Date:	10/22/2013
Sanctions Ordered:	Censure Monetary/Fine \$750,000.00 Disgorgement/Restitution Cease and Desist/Injunction

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, OX TRADING PAID THE DISGORGEMENT OF \$2,750,000.00 AND PREJUDGMENT INTEREST OF \$253,094.39 ON 10/31/2013. ON 10/31/2013, OX TRADING PAID A CIVIL MONETARY PENALTY OF \$750,000.00. THOMAS STERN SHALL PAY A CIVIL MONETARY PENALTY OF \$50,000.00.

Firm Statement

THE SEC ORDERED THAT OX TRADING LLC, THOMAS STERN AND OPTIONSXPRESS, INC. CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(A) AND 15(B)(8) OF THE EXCHANGE ACT. OX TRADING IS CENSURED. MR. STERN ALSO AGREED TO WITHDRAW HIS PETITION FOR REVIEW IN CONNECTION WITH SEC ADMINISTRATIVE PROCEEDING 3-14848. OX TRADING AND THOMAS STERN CEASED TO BE CONTROL AFFILIATES OF OPTIONSXPRESS BEFORE THE ORDER WAS FINALIZED. OX TRADING CEASED TO BE A CONTROL AFFILIATE ON 02/29/2012. MR. STERN CEASED TO BE A CONTROL AFFILIATE ON 02/08/2012.

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Reporting Source: Firm

Current Status: Final

Allegations: THE OPTIONS CLEARING CORPORATION ("OCC") ALLEGED THAT THE FIRM FAILED TO MEET ITS MORNING OBLIGATIONS IN COMPLIANCE WITH OCC RULES 502(A) AND 605.

Initiated By: THE OPTIONS CLEARING CORPORATION

Date Initiated: 10/17/2011

Docket/Case Number: OPTIONSXPRESS, INC. 2011-03

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/09/2011

Sanctions Ordered: Monetary/Fine \$25,000.00

**Other Sanctions Ordered:****Sanction Details:**

OPTIONSXPRESS WITHOUT ADMITTING OR DENYING THE ALLEGATIONS CONTAINED IN THE CHARGES, CONSENTED TO THE ENTRY OF A FINAL DECISION BY THE DISCIPLINARY COMMITTEE PROVIDING FOR THE IMPOSITION OF A FINE IN THE AMOUNT OF TWENTY FIVE THOUSAND AND NO/100 DOLLARS.

Firm Statement

OPTIONS CLEARING CORP. ALLEGED THAT OPTIONSXPRESS VIOLATED OCC RULES 502 (A) AND 605 IN THAT OPTIONSXPRESS MET ITS MORNING SETTLEMENT OBLIGATION ELEVEN MINUTES LATE BECAUSE IT'S DESIGNATED SETTLEMENT BANK, JP MORGAN CHASE BANK, N.A., FAILED TO TIMELY APPROVE MORNING SETTLEMENTS INSTRUCTIONS ISSUED BY OCC. OPTIONSXPRESS WITHOUT ADMITTING OR DENYING THE ALLEGATIONS CONTAINED IN THE CHARGES, CONSENTED TO THE ENTRY OF A FINAL DECISION BY THE DISCIPLINARY COMMITTEE PROVIDING FOR THE IMPOSITION OF A FINE IN THE AMOUNT OF TWENTY FIVE THOUSAND AND NO/100 DOLLARS.

Disclosure 18 of 27**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

SEC ADMINISTRATIVE RELEASE 33-9313, RELEASE 34-66815, INVESTMENT COMPANY ACT RELEASE 40-30034, APRIL 16, 2012: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDING BE, AND HEREBY IS, INSTITUTED PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 9(B) OF THE INVESTMENT COMPANY ACT OF 1940 AGAINST THE FIRM. THE FIRM WILLFULLY VIOLATED RULES 204 AND 204T OF REG. SHO; CAUSED AND WILLFULLY AIDED AND ABETTED ITS CUSTOMER'S VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT, SECTION 10(B) OF THE EXCHANGE ACT AND RULES 10B-5 AND 10B-21. THIS CASE INVOLVES A COMPLEX SHORT SELLING SCHEME TO PROFIT BY CIRCUMVENTING THE DELIVERY REQUIREMENTS OF REGULATION SHO OF THE EXCHANGE ACT ("REG. SHO"). THE FIRM FAILED TO SATISFY ITS CLOSE-OUT OBLIGATIONS UNDER RULES 204 AND 204T OF REG. SHO BY REPEATEDLY ENGAGING IN A SERIES OF SHAM TRANSACTIONS, KNOWN AS "RESETS," DESIGNED TO GIVE THE APPEARANCE OF HAVING PURCHASED SHARES TO CLOSE-OUT AN OPEN FAILURE-TO-DELIVER POSITION WHILE IN FACT NOT DOING SO. SIX CUSTOMER ACCOUNTS AT THE FIRM ENGAGED IN REVERSE CONVERSIONS AND SIMILAR OPTIONS TRADING STRATEGIES. THE SHAM RESETS WERE ACCOMPLISHED BY THE FIRM FACILITATING ITS



CUSTOMERS BUYING SHARES AND SIMULTANEOUSLY SELLING DEEP IN-THE-MONEY CALL OPTIONS THAT WERE ESSENTIALLY THE ECONOMIC EQUIVALENT OF SELLING SHARES SHORT. THE PURCHASE OF SHARES CREATED THE ILLUSION THAT THE FIRM HAD SATISFIED THE CLOSE-OUT OBLIGATION; HOWEVER, THE SHARES THAT WERE OSTENSIBLY PURCHASED IN THE RESET TRANSACTIONS WERE NEVER ACTUALLY DELIVERED TO THE PURCHASERS BECAUSE ON THE SAME DAY THE SHARES WERE "PURCHASED," THE DEEP IN-THE-MONEY CALLS WERE EXERCISED, THEREBY EFFECTIVELY RESELLING THE SHARES. AS A RESULT, THE FIRM AND ITS CUSTOMERS HAD CONTINUOUS FAILURES TO DELIVER IN THESE AND OTHER SECURITIES THAT PERSISTED FOR MONTHS, THEREBY UNDERMINING THE PURPOSE OF RULES 204 AND 204T OF REG. SHO. THESE SHAM RESET TRANSACTIONS ALSO IMPACTED THE MARKET FOR THE ISSUERS. IN 2009 ALONE, THE SIX FIRM CUSTOMER ACCOUNTS IN TOTAL PURCHASED APPROXIMATELY \$5.7 BILLION WORTH OF SECURITIES AND SOLD SHORT APPROXIMATELY \$4 BILLION OF OPTIONS. THE FIRM AND THE CUSTOMERS KNEW, OR WERE RECKLESS IN NOT KNOWING, THAT MOST, IF NOT ALL, THE CALLS THAT WERE SOLD AS PART OF THE BUY-WRITES WOULD BE EXERCISED AND ASSIGNED ON THE SAME DAY THEY WERE SOLD, RESULTING IN SHARES NOT BEING DELIVERED ON SETTLEMENT; RESULTING IN FAILURES-TO-DELIVER. THE FIRM KNEW EARLY ON THAT THE TRADING WAS PROBLEMATIC AND DID NOT ACT UPON RED FLAGS. ON MARCH 9, 2010, OFFICERS OF THE FIRM CALLED CBOE, ASKING IT TO ADVOCATE ON THE FIRM'S BEHALF IN CONNECTION WITH THE SEC INVESTIGATION. CBOE INSTEAD REFERRED THE FIRM TO THE CBOE'S REGULATORY CIRCULARS WHICH DISCUSSED SHAM TRANSACTIONS. THE SAME DAY, THE FIRMS DECIDED TO HALT THE TRADING, BUT ALLOWED IT TO CONTINUE UNTIL THE MARCH OPTIONS EXPIRATION.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	04/16/2012
Docket/Case Number:	3-14848
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	OPTIONS
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	08/18/2016



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Monetary/Fine \$2,000,000.00

Disgorgement/Restitution

Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details:

SEC INITIAL DECISION RELEASE NO. 490, JUNE 7, 2013: PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934:
THE FIRM SHALL CEASE AND DESIST FROM VIOLATING RULE 204 OF REG. SHO, AND FROM CAUSING AND AIDING AND ABETTING VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT OF 1933, SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AND EXCHANGE ACT RULES 10B-5 AND 10B-21; PURSUANT TO SECTION 8A(E) OF THE SECURITIES ACT OF 1933 AND SECTION 21C(E) OF THE SECURITIES EXCHANGE ACT OF 1934:
THE FIRM SHALL DISGORGE \$1,574,599, PLUS PREJUDGMENT INTEREST FROM OCTOBER 7, 2008; AND PURSUANT TO SECTION 8A(G) OF THE SECURITIES ACT OF 1933 AND SECTION 21B(A) OF THE SECURITIES EXCHANGE ACT OF 1934: THE FIRM SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$2,000,000.
THE INITIAL DECISION WILL NOT BECOME FINAL UNTIL THE COMMISSION ENTERS AN ORDER OF FINALITY.
ON JULY 1, 2013, OPTIONSXPRESS FILED AN APPEAL.
SEC OPINION OF THE COMMISSION RELEASE 33-10125, 34-78621, AUGUST 18, 2016:
THE COMMISSION FOUND THAT THE FIRM VIOLATED ITS CLOSE-OUT OBLIGATIONS UNDER RULE 204 OF REGULATION SHO WITH RESPECT TO LARGE AND CONTINUING FAIL TO DELIVER POSITIONS THAT AROSE FROM TRADING ACTIVITY BY ITS RETAIL CUSTOMERS. THE REMAINING FINDING THAT THE FIRM AIDED AND ABETTED IN THE VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT, SECTION 10(B) OF THE EXCHANGE ACT, AND EXCHANGE ACT RULES 10B-5 AND 10B-21 WERE DISMISSED.

OPTIONSXPRESS WILLFULLY VIOLATED RULE 204(A) BY NOT TAKING AFFIRMATIVE ACTION IN RESPONSE TO ITS FAILS "NO LATER THAN" THE TIME REQUIRED BY THE RULE.

IT IS ORDERED THAT OPTIONSXPRESS CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS OR FUTURE VIOLATIONS RULE 204 OF REGULATION SHO OF THE SECURITIES EXCHANGE ACT OF



1934.

IT IS FURTHER ORDERED THAT OPTIONSXPRESS PAY \$1,574,599 IN DISGORGEMENT, PLUS PREJUDGMENT INTEREST OF \$482,120, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,000,000.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE SEC INSTITUTED ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"), SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTION 9(B) OF THE INVESTMENT COMPANY ACT OF 1940 AGAINST OPTIONSXPRESS, INC. ("OPTIONSXPRESS") RELATING TO ITS OBLIGATIONS UNDER REGULATION SHO ("REG SHO") OF THE EXCHANGE ACT. THE SEC ALLEGED THAT OPTIONSXPRESS FAILED TO SATISFY ITS CLOSE-OUT OBLIGATIONS UNDER RULES 204 AND 204T OF REG. SHO BY ALLEGEDLY PERMITTING CUSTOMERS TO ENGAGE IN TRANSACTIONS DESIGNED TO GIVE THE APPEARANCE OF HAVING PURCHASED SHARES TO CLOSE-OUT AN OPEN FAILURE-TO-DELIVER POSITION WHILE NOT DOING SO. THE SEC FURTHER ALLEGED THAT OPTIONSXPRESS CAUSED AND AIDED AND ABETTED A RETAIL CUSTOMER'S VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT, SECTION 10(B) OF THE EXCHANGE ACT, AND RULES 10B-5 AND 10B-21 THEREUNDER IN CONNECTION WITH TRANSACTIONS THAT ARE ALLEGED TO VIOLATE REG SHO.
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	04/16/2012
Docket/Case Number:	# 3-14848
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	FIRM HAS BEEN ORDERED TO PAY \$1,574,599.00 IN DISGORGEMENT PLUS \$482,120.00 IN PREJUDGMENT INTEREST FIRM HAS BEEN ORDERED TO PAY A CIVIL PENALTY OF \$2,000,000.00
Resolution:	Order
Resolution Date:	08/18/2016
Sanctions Ordered:	Monetary/Fine \$2,000,000.00



Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered:

OPTIONSXPRESS, INC. HAS BEEN ORDERED TO PAY \$1,574,599.00 IN DISGORGEMENT PLUS \$482,120.00 IN PREJUDGMENT INTEREST. ADDITIONALLY, THE FIRM HAS BEEN ORDERED TO PAY A CIVIL PENALTY OF \$2,000,000.00

Sanction Details:

THE INITIAL DECISION ORDERED OPTIONSXPRESS TO CEASE AND DESIST FROM VIOLATING RULE 204 OF REG SHO, ORDERED THE FIRM TO DISGORGE \$1,574,599. PLUS PREJUDGMENT INTEREST FROM OCTOBER 7, 2008 AND PAY A MONETARY PENALTY IN THE AMOUNT OF \$2,000,000. ON JUNE 28, 2013, OPTIONSXPRESS FILED A PETITION FOR REVIEW OF THE INITIAL DECISION TO THE SECURITIES AN EXCHANGE COMMISSION. OPTIONSXPRESS, INC. HAS BEEN ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY FUTURE VIOLATIONS TO RULE 204 OF REGULATION SHO, PAY \$1,574,599.00 IN DISGORGEMENT PLUS \$482,120.00 IN PREJUDGMENT INTEREST. ADDITIONALLY, THE FIRM HAS BEEN ORDERED TO PAY A CIVIL PENALTY OF \$2,000,000.00

Firm Statement

ON JUNE 7, 2013, AN ADMINISTRATIVE LAW JUDGE ISSUED AN INITIAL DECISION IN ADMINISTRATIVE PROCEEDING 3-14853. IN THE INITIAL DECISION, THE JUDGE FOUND THAT OPTIONSXPRESS VIOLATED RULES 204 AND 204T OF REG. SHO AND CAUSED AND AIDED AND ABETTED A CUSTOMER'S VIOLATIONS OF SECTION 17A OF THE SECURITIES ACT AND SECTION 10B OF THE EXCHANGE ACT AND RULES 10B-5 AND 10B-21. ON JUNE 28, 2013, OPTIONSXPRESS FILED A PETITION FOR REVIEW OF THE INITIAL DECISION TO THE SECURITIES AN EXCHANGE COMMISSION. IT IS ORDERED THAT OPTIONSXPRESS CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS OR FUTURE VIOLATIONS RULE 204 OF REGULATION SHO OF THE SECURITIES EXCHANGE ACT OF 1934. IT IS FURTHER ORDERED THAT OPTIONSXPRESS PAY \$1,574,599 IN DISGORGEMENT, PLUS PREJUDGMENT INTEREST OF \$482,120, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,000,000.

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Reporting Source:

Regulator

Current Status:

Final

Allegations:

OPTIONSXPRESS, INC. ("OPTIONSXPRESS"), A MEMBER ORGANIZATION REGISTERED TO TRANSACT BUSINESS ON THE EXCHANGE IN ACCORDANCE WITH EXCHANGE RULES AS AN ORGANIZATION APPROVED TO CONDUCT A NON-MEMBER CUSTOMER BUSINESS, WAS CENSURED AND FINED \$100,000 FOR THE FOLLOWING CONDUCT. OPTIONSXPRESS INACCURATELY CALCULATED ITS CUSTOMER RESERVE COMPUTATION



CAUSING ITS CUSTOMER RESERVE BANK ACCOUNT TO BE UNDER RESERVED FOR 13 OF 15 MONTH-END CUSTOMER RESERVE COMPUTATIONS. (CBOE RULES 4.2 - ADHERENCE TO LAW AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, (THE "ACT") AND RULE 15C3-3 - CUSTOMER PROTECTION THEREUNDER, AND SECTION 17(A) OF THE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS AND 17A-5 - REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 06/02/2011

Docket/Case Number: 11-0012

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/30/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered:

Sanction Details: A \$100,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: THE CBOE ALLEGED THAT THE FIRM VIOLATED EXCHANGE RULES 4.2 AND 15.1; SECTION 15(C) OF THE ACT AND RULE 15C3-3 THEREUNDER; AND



SECTION 17(A) OF THE ACT AND RULES 17A-3 AND 17A-5 THEREUNDER, BY THE FIRM INACCURATELY CALCULATED ITS CUSTOMER RESERVE COMPUTATION CAUSING ITS CUSTOMER RESERVE BANK ACCOUNT TO BE UNDER RESERVED FOR 13 OF 15 MONTH-END CUSTOMER RESERVE COMPUTATIONS.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 01/14/2011

Docket/Case Number: 11-0012

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: CIVIL AND ADMINISTRATIVE PENALT(IES) /FINE(S)

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/30/2011

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: THE FIRM AGREED TO A CENSURE AND FINE OF \$100,000.00.

Sanction Details: THE FIRM AGREED TO A CENSURE AND FINE OF \$100,000.00.

Firm Statement THE FIRM NEITHER ADMITS NOR DENIES THE ALLEGATIONS OF THE STATEMENT OF CHARGES BUT HAS SUBMITTED THIS OFFER OF SETTLEMENT AND CONSENT TO THE ISSUANCE OF THE DECISION BASED UPON THE FACTS AND FINDINGS AND AGREES TO A FINE AND CENSURE IN THE AMOUNT OF \$100,000.

Disclosure 20 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: OPTIONSXPRESS, INC. ("OPTIONSXPRESS"), AN EXCHANGE MEMBER ORGANIZATION, WAS CENSURED AND FINED \$10,000 FOR THE FOLLOWING CONDUCT. OPTIONSXPRESS PUBLICLY DISSEMINATED A PRESS RELEASE DATED OCTOBER 15, 2009, WHICH WAS NOT APPROVED BY THE EXCHANGE AND CONTAINED LANGUAGE THAT LACKED REQUIRED DISCLOSURES. IN ADDITION, OPTIONSXPRESS FAILED TO ADEQUATELY FOLLOW ITS PROCEDURES BY FAILING TO SUBMIT FOR EXCHANGE



APPROVAL THE PRESS RELEASE DESCRIBED ABOVE. (CBOE RULES 4.2 - ADHERENCE TO LAW, 9.8 - SUPERVISION OF ACCOUNTS, AND 9.21 - COMMUNICATIONS TO CUSTOMERS.)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 02/04/2010

Docket/Case Number: 10-0003

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/02/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: A TEN THOUSAND DOLLAR (\$10,000) FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: ON 10/15/09, OPTIONSPRESS HOLDINGS, INC. PUBLICLY DISSEMINATED A PRESS RELEASE DATED 10/5/09 WHICH WAS NOT APPROVED BY THE EXCHANGE AND CONTAINED LANGUAGE THAT LACKED REQUIRED DISCLOSURES.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

Date Initiated: 02/04/2010

Docket/Case Number: FILE # 10-0003

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure



Other Sanction(s)/Relief Sought: FINED \$10,000.

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/02/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO A TEN THOUSAND DOLLAR (\$10,000) FINE AND A CENSURE.

Disclosure 21 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 2110, 3010, 6955(A) - OPTIONSXPRESS, INC. TRANSMITTED ROUTE REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) WHERE THE FIRM WAS NAMED THE "SENT TO FIRM" THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER REPORT DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT FOR A YEAR IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WRITTEN SUPERVISORY PROCEDURES CONCERNING OATS, REGULATION SHO, SEC RULES 200 AND 203(B)(1). THE FIRM FAILED TO TRANSMIT REQUIRED INFORMATION TO OATS ON THREE BUSINESS DAYS. THE FIRM FAILED TO SUBMIT REQUIRED INFORMATION TO OATS AND SUBMITTED INACCURATE INFORMATION TO OATS RELATING TO ORDERS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR NASD RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN: SUPERVISORY SYSTEMS, PROCEDURES AND QUALIFICATIONS, RECORDKEEPING AND SEC RULE 606; BEST EXECUTION; AND TRADE REPORTING, OATS CLOCK SYNCHRONIZATION, USE OF MULTIPLE MARKET PARTICIPANT IDENTIFIERS AND SEC RULE 203(B)(3)(III).

Initiated By: FINRA

Date Initiated: 01/08/2009

Docket/Case Number: [2006005525301](#)



Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/08/2009

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$40,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED, FINED \$40,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SUPERVISORY SYSTEMS, PROCEDURES AND QUALIFICATIONS, RECORDKEEPING AND SEC RULE 606; BEST EXECUTION; AND TRADE REPORTING, OATS CLOCK SYNCHRONIZATION, USE OF MULTIPLE MARKET PARTICIPANT IDENTIFIERS AND SEC RULE 203(B)(3)(III) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

Reporting Source: Firm

Current Status: Final

Allegations: THE ACTION ALLEGED THE FIRM'S FAILURE TO TRANSMIT THE REQUIRED INFORMATION TO OATS ON THREE BUSINESS DAYS; CERTAIN INCOMPLETE, INACCURATE OR IMPROPERLY FORMATTED DATA IN CONNECTION WITH REPORTING TO THE OATS SYSTEM; INCORRECT, INACCURATE OR MISSING REPORTS; FAILURE TO PROVIDE DOCUMENTARY EVIDENCE OF ITS SUPERVISORY REVIEWS AS SET FORTH IN THE FIRM'S WRITTEN SUPERVISORY PROCEDURES RELATING TO OATS, REGULATION SHO AND SEC RULES 200 AND 203(B)(1); AND FAILURE TO PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE



COMPLIANCE WITH RESPECT TO CERTAIN LAWS, RULES AND REGULATIONS IN THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO QUALITY OF MARKETS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 11/26/2008

Docket/Case Number: 20060055253-01

Principal Product Type: Options

Other Product Type(s): EQUITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: UNDERTAKING (REVISE PROCEDURES-QUALITY OF MARKETS)

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/08/2009

Sanctions Ordered: Censure
Monetary/Fine \$40,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING FAULT, ACCEPTED CENSURE, UNDERTAKING TO REVISE PROCEDURES ON QUALITY OF MARKETS, AND OBLIGATION TO PAY \$40,000.00

Firm Statement ACTION RESOLVED WITH AWC OF \$30,000 FOR OATS VIOLATIONS AND \$10,000 FOR SUPERVISION VIOLATIONS.

Disclosure 22 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: OPTIONSXPRESS, INC., AN EXCHANGE MEMBER ORGANIZATION APPROVED TO CONDUCT A NON-MEMBER CUSTOMER BUSINESS, WAS CENSURED AND FINED \$35,000 FOR THE FOLLOWING CONDUCT. OPTIONSXPRESS FAILED TO PROPERLY ENSURE THAT ANY PRIOR ARRESTS DISCLOSED IN FBI CIVIL APPLICANT RESPONSES FOR SEVEN NEW ASSOCIATED PERSONS WERE REVIEWED TO DETERMINE IF ANY INDIVIDUAL WAS DEEMED STATUTORILY DISQUALIFIED. IN ADDITION, OPTIONSXPRESS FAILED TO PROPERLY ENSURE THAT ITS SUPERVISORY PROCEDURES REGARDING ITS ASSOCIATED PERSONS' BACKGROUND REVIEWS WERE FOLLOWED. (CBOE RULES 4.2 - ADHERENCE TO LAW; 15.1



- MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AS AMENDED (THE "ACT") AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN BROKERS AND DEALERS; 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN BROKERS AND DEALERS; AND SECTION 17(F) OF THE ACT AND RULE 17F-2 - FINGERPRINTING OF SECURITIES INDUSTRY PERSONNEL.)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/30/2008

Docket/Case Number: 08-0037

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 11/06/2008

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details: A \$35,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: THE CHICAGO BOARD OPTIONS EXCHANGE ASSERTS THAT OPTIONSPRESS ALLEGEDLY VIOLATED EXCHANGE RULES 4.2 AND 15.1; SECTION 17(A) OF THE ACT AND RULES 17A-3 AND 17A-4 THEREUNDER; SECTION 17(F) OF THE ACT AND RULE 17F-2 THEREUNDER; AND FAILED TO ENSURE THAT ITS SUPERVISORY PROCEDURES WERE FOLLOWED RELATING TO THE FOREGOING.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/30/2008

Docket/Case Number: 08-0037



Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 11/06/2008

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS IN THE STATEMENT OF CHARGES, OPTIONSPRESS, INC. CONSENTED TO ENTRY OF AN OFFER OF SETTLEMENT CONSISTING OF A \$35,000 FINE AND A CENSURE

Disclosure 23 of 27

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 6955(A) - RESPONDENT FIRM FAILED TO TIMELY REPORT TO OATS REPORTABLE ORDER EVENTS. THE FINDINGS STATED THAT THE FIRM SUBMITTED TO OATS, NEW ORDER REPORTS AND RELATED SUBSEQUENT REPORTS WHERE THE TIMESTAMP FOR THE RELATED SUBSEQUENT REPORT OCCURRED PRIOR TO THE RECEIPT OF THE ORDER, AS A RESULT, THE OATS SYSTEM WAS UNABLE TO CREATE AN ACCURATE, TIME-SEQUENCED RECORD FROM THE RECEIPT OF THE ORDER THROUGH ITS RESOLUTION.

Initiated By: NASD

Date Initiated: 03/29/2007

Docket/Case Number: [2005000575501](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, OPTIONSPRESS, INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM WAS CENSURED AND FINED \$20,000.

Reporting Source: Firm

Current Status: Final

Allegations: THE MARKET REGULATION STAFF ASSERTS THAT THE FIRM FAILED TO TIMELY REPORT TO OATS REPORTABLE ORDER EVENTS DURING THE PERIOD OF OCTOBER 1, 2004 THROUGH DECEMBER 31, 2004. ADDITIONALLY, THE MARKET REGULATION DEPARTMENT DECLARES THAT DURING THE PERIOD OF JANUARY 1, 2005 THROUGH MARCH 31, 2005, THE FIRM SUBMITTED TO OATS NEW ORDER REPORTS AND RELATED SUBSEQUENT REPORTS CONTAINING INACCURATE TIMESTAMPS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD)

Date Initiated: 02/14/2005

Docket/Case Number: 20050005755-01

Principal Product Type: Options

Other Product Type(s): EQUITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2007



Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING FAULT, ACCEPTED CENSURE AND OBLIGATION TO PAY \$20,000.00.
Firm Statement	ACTION RESOLVED WITH AWC OF \$20,000.00 FOR OATS VIOLATIONS.

Disclosure 24 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD MARKETPLACE RULE 6955(A) AND NASD CONDUCT RULES 2110, 3010 - THE FIRM SUBMITTED TO OATS 1,325 REPORTS WITH RESPECT TO EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET (THE "SUBJECT REPORTS") THAT WERE NOT IN THE ELECTRONIC FORM PRESCRIBED BY NASD AND WERE REPAIRABLE. THE SUBJECT REPORTS WERE REJECTED BY THE OATS SYSTEM AND NOTICE OF SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. THE FIRM DID NOT REPLACE 100 PERCENT OF THE REPORTS. THE FIRM ALSO MISREPORTED TO OATS 96,447 EXECUTION REPORTS. OPTIONSXPRESS, INC. SUBMITTED TO OATS 4,542 REPORTS WHERE THE TIME STAMP ON THE NEW ORDER REPORT WAS MORE THAN THREE SECONDS LATER THAN THE TIME STAMP ON THE RELATED SUBSEQUENT REPORTS. MOREOVER, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLE DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND RULES OF NASD, CONCERNING REPAIR OF REJECTED REPORTABLE ORDER EVENTS ("ROES") AND OATS BUSINESS CLOCK SYNCHRONIZATION.
Initiated By:	NASD
Date Initiated:	09/20/2005
Docket/Case Number:	2004200013201
Principal Product Type:	Other
Other Product Type(s):	EQUITY SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/20/2005

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$14,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, OPTIONSPRESS, INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED, FINED \$14,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF NASD CONCERNING REPAIR OF REJECTED REPORTABLE ORDER EVENTS ("ROES") AND OATS BUSINESS CLOCK SYNCHRONIZATION.

Reporting Source: Firm

Current Status: Final

Allegations: THE ACTION ALLEGED CERTAIN REPORTS NOT IN THE ELECTRONIC FORM PRESCRIBED BY NASD, MISREPORTED EXECUTION REPORTS, REPORTS WITH TIMESTAMP INACCURACIES, AND A SUPERVISORY SYSTEM THAT DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD)

Date Initiated: 03/25/2004

Docket/Case Number: 2004200013201

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:



Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/20/2005
Sanctions Ordered:	Censure Monetary/Fine \$14,000.00
Other Sanctions Ordered:	N/A
Sanction Details:	N/A
Firm Statement	ACTION RESOLVED WITH AWC OF \$8,000 FOR OATS VIOLATIONS AND \$6,000 FOR SUPERVISION VIOLATIONS.

Disclosure 25 of 27

Reporting Source:	Regulator
Current Status:	Final
Allegations:	6/2/2003 CONSENT ORDER ALLEGED THAT OPTIONSPRESS, INC. HAD EMPLOYED RONALD C. GALVIN AS AN AGENT AT A TIME WHEN GALVIN WAS NOT REGISTERED AS SUCH UNDER THE CONNECTICUT UNIFORM SECURITIES ACT, AND THAT THE FIRM FAILED TO ESTABLISH, ENFORCE AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM.
Initiated By:	CONNECTICUT
Date Initiated:	06/02/2003
Docket/Case Number:	CO-02-6569-S
URL for Regulatory Action:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	06/02/2003
Sanctions Ordered:	Monetary/Fine \$5,000.00
Other Sanctions Ordered:	THE CONSENT ORDER FINED THE FIRM \$5,000 AND REQUIRED THAT IT PROVIDE THE DEPARTMENT WITH QUARTERLY REPORTS FOR TWO YEARS CONCERNING ANY SECURITIES-RELATED COMPLAINTS, ACTIONS OR PROCEEDINGS INVOLVING CONNECTICUT RESIDENTS. THE



CONSENT ORDER ALSO REQUIRED THAT THE FIRM REIMBURSE THE AGENCY UP TO \$2,500 FOR THE COST OF ONE OR MORE EXAMINATIONS TO BE CONDUCTED BY THE DEPARTMENT WITHIN 24 MONTHS.

Sanction Details: SEE RESPONSE TO 12 B.

Regulator Statement SEE RESPONSE TO 12 B.

Reporting Source: Firm

Current Status: Final

Allegations: CONNECTICUT ASSERTS THAT IT POSSESSED EVIDENCE THAT A FIRM REGISTERED PRINCIPAL/REPRESENTATIVE, WHILE PENDING REGISTRATION IN CONNECTICUT, ATTEMPTED TO EFFECT TRANSACTIONS IN THE STATE.

Initiated By: STATE OF CONNECTICUT - DEPARTMENT OF BANKING SECURITIES AND INVESTMENTS DIVISION

Date Initiated: 12/16/2002

Docket/Case Number: CO-02-6569-S

Principal Product Type: Options

Other Product Type(s): EQUITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: FIRM CONSENTED TO FINE WITHOUT ADMITTING OR DENYING FAULT.

Resolution: Consent

Resolution Date: 06/10/2003

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered: REIMBURSEMENT OF COSTS OF FUTURE ON-SITE EXAMINATION OF FIRM BY CONNECTICUT.

Sanction Details: WITHOUT ADMITTING OR DENYING FAULT, ACCEPTED OBLIGATION TO PAY \$5000.00 AND COST OF FUTURE FIRM EXAM

Firm Statement MATTER HAS BEEN CONCLUDED AND OPTIONSXPRESS' FIRM REGISTRATION IN THE STATE OF CONNECTICUT IS IN GOOD STANDING.



Reporting Source: Regulator

Current Status: Final

Allegations: PRIOR TO ITS REGISTRATION ON MAY 14, 2001, OPTIONSPRESS CONDUCTED THREE TRANSACTIONS IN THE ACCOUNTS OF TWO NORTH DAKOTA RESIDENTS

Initiated By: OFFICE OF THE NORTH DAKOTA SECURITIES COMMISSIONER

Date Initiated: 08/14/2001

Docket/Case Number:

URL for Regulatory Action:

Principal Product Type: Investment Contract(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 08/22/2001

Sanctions Ordered: Monetary/Fine \$1,500.00

Other Sanctions Ordered:

Sanction Details: RESPONDENT WAS ORDERED TO PAY \$1,500 TO THE NORTH DAKOTA SECURITIES COMMISSIONER AS A CIVIL PENALTY BASED ON THE VIOLATIONS DISCUSSED IN THE CONSENT ORDER DATED AUGUST 22, 2001

Regulator Statement RESPONDENTS HAVE OFFERED FOR SALE AND/OR SOLD INVESTMENT(S) TO TWO RESIDENTS OF NORTH DAKOTA. THE SUBJECT INVESTMENT(S) HAVE NOT BEEN REGISTERED WITH THE SECURITIES COMMISSIONER, ARE NOT EXEMPT SECURITIES, AND HAVE NOT BEEN OFFERED FOR SALE OR SOLD IN EXEMPT TRANSACTIONS

Reporting Source: Firm

Current Status: Final

Allegations: TO DETERMINE WHETHER OR NOT OPTIONSPRESS HAD CLIENTS IN NORTH DAKOTA PRIOR TO THE ACCEPTANCE OF OPTIONSPRESS' APPLICATION TO REGISTER AS A BROKER DEALER IN NORTH DAKOTA.



Initiated By: NORTH DAKOTA SECURITIES COMMISSIONER

Date Initiated: 06/01/2001

Docket/Case Number: REFERENCED OPTIONSXPRESS, INC.

Principal Product Type: Options

Other Product Type(s): EQUITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 08/22/2001

Sanctions Ordered: Monetary/Fine \$1,500.00

Other Sanctions Ordered:

Sanction Details: BY CONSENT, OPTIONSXPRESS AGREED TO A FINE OF 4800.00 AND AGREED TO REMAIN IN COMPLIANCE.

Firm Statement THIS MATTER WAS SETTLED BY CONSENT ORDER, SUBSEQUENTLY OPTIONSXPRESS IS NOW REGISTERED IN NORTH DAKOTA IN GOOD STANDING.

Disclosure 27 of 27

Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: N/A

Allegations: RESPONDENT ACKNOWLEDGES THAT IT ENGAGED IN VIOLATIONS OF CERTAIN PROVISIONS OF MN STAT 80A(2000).

Initiated By: MN DEPT OF COMMERCE

Date Initiated: 07/11/2001

Docket/Case Number: SE2103989LMD

URL for Regulatory Action:

Principal Product Type: Other

Other Product Type(s): SECURITIES



Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: N/A

Resolution: Order

Resolution Date: 07/11/2001

Sanctions Ordered: Monetary/Fine \$4,800.00

Other Sanctions Ordered: N/A

Sanction Details: SEE ABOVE

Regulator Statement SEE ABOVE

Reporting Source: Firm

Current Status: Final

Allegations: MINNESOTA ALLEGED THAT OPTIONSXPRESS CONDUCTED A SECURITIES BUSINESS IN MN PRIOR TO ACCEPTANCE OF ITS APPLICATION FOR LICENSURE.

Initiated By: STATE OF MINNISOTA COMMISSIONER OF COMMERCE

Date Initiated: 05/18/2001

Docket/Case Number: MNSE2103989/LMD

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 07/11/2001

Sanctions Ordered: Monetary/Fine \$4,800.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: BY CONSENT, OPTIONSXPRESS AGREED TO A FINE OF 4800.00 AND AGREED TO REMAIN IN COMPLIANCE.



Firm Statement

THIS MATTER WAS RESOLVED BY CONSENT, SUBSEQUENTLY
OPTIONSXPRESS IS LICENSED AND IN GOOD STANDING IN THE STATE OF
MINNESOTA.



Regulatory - Pending

This type of disclosure event may include a pending formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory agency such as the Securities and Exchange Commission, foreign financial regulatory body) for alleged violations of investment-related rules or regulations.

Disclosure 1 of 3

Reporting Source:	Firm
Current Status:	Pending
Allegations:	AS A RESULT OF A FINANCIAL INVESTIGATION, THE CHICAGO BOARD OPTIONS EXCHANGE INTENDS TO PRESENT A REPORT TO THE EXCHANGE'S BUSINESS CONDUCT COMMITTEE INDICATING THAT THERE MAY BE REASONABLE GROUNDS TO BELIEVE THAT A VIOLATION OF SEC RULES HAS BEEN COMMITTED RELATING TO THE FIRM'S RESERVE BANK ACCOUNT.
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	11/11/2011
Docket/Case Number:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	FINANCIAL INVESTIGATION OF OPTIONSPRESS, INC.

Disclosure 2 of 3

Reporting Source:	Firm
Current Status:	Pending
Allegations:	THE FIRM, AND ONE INDIVIDUAL, RECEIVED WRITTEN NOTICE WHEREIN THE CHICAGO BOARD OPTIONS EXCHANGE DIVISION OF REGISTRATION AND REGULATORY SERVICES INTENDS TO PRESENT A REPORT TO THE EXCHANGE'S BUSINESS CONDUCT COMMITTEE INDICATING THAT THERE MAY BE A VIOLATION OF SECURITIES AND EXCHANGE COMMISSION AND EXCHANGE RULES.
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	07/08/2011
Docket/Case Number:	



Principal Product Type: Options

Other Product Type(s): PORTFOLIO MARGIN OF EQUITIES AND OPTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Disclosure 3 of 3

Reporting Source: Firm

Current Status: Pending

Allegations: FOUR INDIVIDUALS AND THE FIRM, RECEIVED A WELLS NOTICE WHEREIN THE SEC STAFF IS CONSIDERING RECOMMENDING AN ENFORCEMENT ACTION AGAINST THE INDIVIDUALS AND THE FIRM ARISING OUT OF CERTAIN SELF-DIRECTED CUSTOMERS' TRADING ACTIVITY THAT MAY ALLEGEDLY HAVE VIOLATED REGULATION SHO, AND OTHER RELATED VIOLATIONS.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 10/28/2010

Docket/Case Number:

Principal Product Type: Other

Other Product Type(s): EQUITIES AND EQUITY OPTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: WELLS LETTER

Reporting Source: Firm

Current Status: Pending

Allegations: FOUR INDIVIDUALS AND THE FIRM, RECEIVED A WELLS NOTICE WHEREIN THE SEC STAFF IS CONSIDERING RECOMMENDING AN ENFORCEMENT ACTION AGAINST THE INDIVIDUALS AND THE FIRM ARISING OUT OF CERTAIN SELF-DIRECTED CUSTOMERS' TRADING ACTIVITY THAT MAY ALLEGEDLY HAVE VIOLATED REGULATION SHO, AND OTHER RELATED VIOLATIONS.



Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 10/28/2010

Docket/Case Number:

Principal Product Type: Other

Other Product Type(s): EQUITIES AND EQUITY OPTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: WELLS LETTER

Reporting Source: Firm

Current Status: Pending

Allegations: FOUR INDIVIDUALS AND THE FIRM, RECEIVED A WELLS NOTICE WHEREIN THE SEC STAFF IS CONSIDERING RECOMMENDING AN ENFORCEMENT ACTION AGAINST THE INDIVIDUALS AND THE FIRM ARISING OUT OF CERTAIN SELF-DIRECTED CUSTOMERS' TRADING ACTIVITY THAT MAY ALLEGEDLY HAVE VIOLATED REGULATION SHO, AND OTHER RELATED VIOLATIONS.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 10/28/2010

Docket/Case Number:

Principal Product Type: Other

Other Product Type(s): EQUITIES AND EQUITY OPTIONS

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: WELLS LETTER



Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	NASD
Case Initiated:	12/20/2006
Case Number:	06-05183
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; OPTIONS
Sum of All Relief Requested:	\$1,200,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	08/13/2007
Sum of All Relief Awarded:	\$175,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	FINRA
Case Initiated:	05/21/2010



Case Number: [10-01922](#)
Disputed Product Type: MUTUAL FUNDS
Sum of All Relief Requested: \$718,700.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/13/2012
Sum of All Relief Awarded: \$16,500.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 3 of 3

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: OTHER-INDEMNIFICATION
Arbitration Forum: FINRA
Case Initiated: 06/07/2017
Case Number: [17-01393](#)
Disputed Product Type: OPTIONS
Sum of All Relief Requested: \$7,508,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/29/2019
Sum of All Relief Awarded: \$1,558,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.



Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 1

Reporting Source:	Firm
Policy Holder:	CHARLES SCHWAB & CO., INC.
Bonding Company Name:	NOT AVAILABLE - NAME NOT DISCLOSED ON SCHEDULE D OF OLD FORM BD
Disposition:	Payout
Disposition Date:	10/01/1980
Payout Details:	563,000. EXACT DATE PAID NOT DISCLOSED ON SCHEDULE D OF OLD FORM BD.

Disclosure Events for Non-Registered Control Affiliates



All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	2	0



Disclosure Event Details

Regulatory - Final

Disclosure 1 of 2

Reporting Source:	Firm
Affiliate:	OX TRADING, LLC
Current Status:	Final
Allegations:	OX TRADING, LLC ("OXT") OVERSTATED ITS NET CAPITAL AND FAILED TO ADEQUATELY SUPERVISE THE FIRM'S NET CAPITAL COMPUTATIONS ON THREE MONTH-END COMPUTATIONS IN NOVEMBER 2011, DECEMBER 2011, AND JANUARY 2012. DURING THIS TIME FRAME, OXT'S NET CAPITAL DID NOT FALL BELOW THE MINIMUM NET CAPITAL REQUIREMENTS PURSUANT TO RULE 15C3-1 OF THE ACT.
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE, INC. ("EXCHANGE")
Date Initiated:	05/29/2013
Docket/Case Number:	FILE NO. 13-0023
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	05/29/2013
Sanctions Ordered:	Censure Monetary/Fine \$40,000.00
Other Sanctions Ordered:	
Sanction Details:	A \$40,000 FINE AND CENSURE.
Firm Statement	OX TRADING WAS CENSURED AND FINED \$40,000. OX TRADING NEITHER ADMITTED NOR DENIED THE ALLEGED VIOLATION.

Disclosure 2 of 2

Reporting Source:	Firm
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Affiliate: OX TRADING, LLC

Current Status: Final

Allegations: IN OR ABOUT 2011, OX TRADING, LLC (THE FIRM)DID NOT OBTAIN AN INDEPENDENT AUDIT OF ITS AML PROGRAM WITHIN THE FIRST CALENDAR YEAR OF BECOMING A CBOE TRADING PERMIT HOLDER IN VIOLATION OF EXCHANGE RULE 4.20.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE, INC.(EXCHANGE).

Date Initiated: 10/01/2011

Docket/Case Number: 12-0061

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: NO OTHER SANCTIONS ORDERED.

Resolution: Consent

Resolution Date: 09/24/2012

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered: NO OTHER SANCTIONS ORDERED.

Sanction Details: THE FIRM HAS SUBMITTED A LETTER OF CONSENT AND AGREED TO PAY A FINE OF \$25000.00.

Firm Statement WITHOUT ADMITTING OR DENYING THAT THE FIRM VIOLATED THE ABOVE DECSBRIBED EXCHANGE RULE, THE FIRM HAS SUBMITTED A LETTER OF CONSENT AND AGREED TO PAY A FINE OF \$25000.00.

End of Report



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