



## **DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star No. 20180599149/File No. USRI-9050-01**

**Lakeshore Securities, L.P. and Sean P. Moran**

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

### **Applicable Rule(s)**

- Cboe Rules 4.2 – Adherence to Law, and 6.20 – Admission to and Conduct on the Trading Floor

### **Sanction**

A censure to each of Moran and Lakeshore, a joint and several fine of \$20,000 to Moran and Lakeshore, and a limitation of activity whereby Moran is restricted from serving on any Exchange Committee for six consecutive months.

### **Effective Date**

October 9, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**Star No. 20180599149**  
**File No. USRI-9050-01**

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In the Matter of:

Lakeshore Securities, L.P.  
401 S. LaSalle Street, Suite 1000  
Chicago, IL 60605

and

Sean P. Moran  
3912 Lawn Avenue  
Western Springs, IL 60558

Subjects

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Pursuant to the provisions of Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 13.3 – Expedited Proceeding, Lakeshore Securities, L.P. ("Lakeshore" or the "Firm") and Sean P. Moran ("Moran") (collectively, the "Subjects") submit this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

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The Firm and Moran neither admit nor deny the allegations for Star No. 20180599149, and the stipulation of facts and findings described herein do not constitute such an admission.

**BACKGROUND**

1. During all relevant periods herein, the Firm was acting as a registered Broker-Dealer and was an Exchange Trading Permit Holder registered to conduct business as a Floor Broker on the Exchange. In addition, during all relevant periods, the Firm was approved to transact business with the public. The Firm's registrations remain in effect.
2. From in or about November 2002, Moran has been an Associated Person of Lakeshore. During all relevant periods, Moran was employed by Lakeshore as a Floor Broker on the Exchange.
3. This matter originated from investigations in FINRA's Department of Market Regulation to determine whether Moran engaged in prohibited Cboe trading floor misconduct with respect to decorum.

4. Prior to the violative conduct occurring in this case, on or around April 5, 2018, Moran and Lakeshore were notified during a Compliance Conference with representatives from Cboe and FINRA that continued, similar behavior of the same nature as the types of conduct detailed in Cboe Regulatory Circular RG16-075 could potentially result in future formal disciplinary action for Moran and/or Lakeshore.

## **VIOLATIVE CONDUCT**

### **Applicable Rules**

5. During all relevant periods, Cboe Rule 6.20 – Admission to and Conduct on the Trading Floor was in effect. In relevant part, Cboe Rule 6.20(b) provided: “Trading Permit Holders and persons employed by or associated with any Trading Permit Holder, while on any premises of the Exchange, including the trading floor of the Exchange, may not engage in conduct: (A) inconsistent with the maintenance of a fair and orderly market; (B) apt to impair public confidence in the operations of the Exchange; (C) inconsistent with the ordinary and efficient conduct of business; or (D) detrimental to the safety or welfare of any other person.”
6. During all relevant periods, Cboe Rule 4.2 – Adherence to Law was in effect.<sup>1</sup> In relevant part, Cboe Rule 4.2 provided: “No Trading Permit Holder shall engage in conduct in violation of ... the Rules of the Exchange.... Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith.”

### **Moran’s Floor Misconduct**

7. From on or about September 24, 2018 through on or about June 19, 2019, Moran engaged in repeated instances of behavior of the same nature as the types of conduct detailed in Cboe Regulatory Circular RG16-075. These instances are set forth below in Paragraphs 8-15.<sup>2</sup>
8. On September 24, 2018, Moran engaged in verbal argument and made unbusinesslike comments to a VIX trading crowd market-maker (“Market Maker A”) while Moran was attempting to effect a trade in which Market Maker A was trying to participate. Moran crossed 40% of the 10,000 contract trade and split the balance of 6,000 contracts between ten market makers (1000 each to the two market makers he believed were first to respond, and 500 each to eight other market makers). Market Maker A was not one of the market makers allocated a portion of

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<sup>1</sup> As of October 7, 2019, Cboe Rule 4.2 was re-numbered as Cboe Rule 8.2 – Adherence to Law and Cboe Rule 6.20 was re-numbered as Cboe Rule 5.80 – Admission to and Conduct on the Trading Floor. The relevant text of the rules did not change with the re-numbering.

<sup>2</sup> There was no evidence that the orders detailed in paragraphs 8-15 were executed in violation of the Exchange’s floor trading rules relating to priority, allocation and crossing obligations, nor did the investigation reveal any anti-competitive behavior in relation to this activity.

the trade and, accordingly, Market Maker A asked Moran if he had allocated any contracts to him on the trade. Moran responded to Market Maker A by yelling at him for a period of several minutes to ask if he had ever verbalized his intention to participate on the order beyond “raising his hand.”

9. On September 26, 2018, Moran engaged in verbal argument, abusive language and unbusinesslike comments to the VIX trading crowd regarding the allocation of contracts among the in-crowd market participants. On that date, Moran represented a 30,000 collar swap order for which he indicated he wanted to cross half, in the VIX trading crowd. Within a few seconds of Moran representing the order described above, a majority of the VIX trading crowd indicated that they wanted to participate on the trade and were holding up their hands indicating precise quantities, including Floor Broker B. In response, Moran began yelling at the crowd that only four market- makers had responded quickly and that he should be able to cross the 50% as he had announced. Moran ultimately allocated the order to the trading crowd participants and retained no more than the permitted 40% cross for the 30,000 collar swap order. However, he continued to yell expletives at the crowd while allocating the order and also after confirming the quantities with the other trading crowd participants.
10. On March 20, 2019, Moran made an unbusinesslike comment to Market Maker B in the VIX trading crowd when allocating a trade to him, which appeared to be an attempt to insinuate that the resulting trade would likely be the last one Market Maker B planned on participating on that day, in light of a perception by Moran that Market Maker B did not sufficiently participate on trades in the trading crowd. Specifically, after allocating the trade to Market Maker B, Moran said “last time I’m going to hear from you today.”
11. On April 29, 2019, Moran made a series of unbusinesslike comments about Market Maker B to Market Maker C in the VIX trading crowd. On that date, Moran announced an order for a VIX May 25-Jun 22 call spread tied to futures for 7500 spreads at a price of .46. Moran inquired if Market Maker C was going to participate on the order, and when Market Maker C indicated he would not participate, Mr. Moran cited the fact that Market Maker B, a smaller-size market maker, was planning to participate on the order. When Market Maker C further declined to participate on the order, Moran commented that it was “ridiculous” in light of the fact that Market Maker B, a small-size market maker who Moran perceived as insufficiently participating in the VIX trading crowd, was participating in that instance.
12. On May 15, 2019, Moran used abusive language towards Market Maker B. Specifically, on that date, Moran asked for a quote on the VIX June 20-30 call tied to 18.45 and then asked for a quote on the same call spread live. Shortly thereafter, Moran sought a refreshed quote from the trading crowd on the same call spread tied to 18.45. Market Maker B asked Moran if the quote he was seeking was again tied to 18.45 or live. Moran told Market Maker B to pay more attention to what he was saying (with the use of an expletive) and that “It’s the only thing I’ve heard out of

you in three days.”

13. On May 21, 2019, Moran used abusive language towards Market Maker B. On that date, Moran requested a quote in the VIX May 15 straddle and received a market of \$0.65 - \$0.75. After several minutes had lapsed, Moran re-quoted the same straddle and received an updated market of \$0.68 - \$0.78. However, one market-maker was still offered at the original market of \$0.75, while the crowd as a whole was at \$0.78. In response to the new market for the straddle, another VIX market-maker then stated his market changed in between quotes. In light of the two updated quotes from two different market makers, Moran then asked Market Maker B what his market was for the straddle. Market Maker B provided a market wider than that offered by the trading crowd as a whole, but one that was within the NBBO. In response, Moran responded to Market Maker B: (with the use of an expletive), “why don’t you just go home?”
14. On June 19, 2019, Moran exhibited unbusinesslike conduct towards Market Maker B. On that date, Moran quoted the VIX July 15/20 risk reversal tied to 16.50. Market Maker B offered to participate on the trade initially but realized during Moran’s allocation of the trade that the trade was not tied to stock, and put down his hand to indicate he did not want to be allocated on the trade. In response, Moran said to Market Maker B, “hand up hand down.”
15. Throughout the period from on or about September 24, 2018 through on or about June 20, 2019, Moran made unbusinesslike comments to market-makers in the VIX trading crowd by often referring to them as “hand raisers.”<sup>3</sup>
16. The acts, practices and conduct described in each of Paragraphs 8 through 15 constitute violations of Cboe Rule 6.20(b) by Moran, in that these repeated instances of conduct on the premises of the Exchange were inconsistent with the maintenance of a fair and orderly market and the ordinary and efficient conduct of business, in violation of Exchange Rule 6.20.

#### **Lakeshore’s Failure to Supervise**

17. Throughout the period from on or about September 24, 2018 through on or about June 20, 2019, Lakeshore failed to reasonably supervise Moran with regard to the conduct described in each of Paragraphs 8 through 15 above.
18. The acts, practices and conduct described in Paragraph 17 constitute a violation of Cboe Rule 4.2 by Lakeshore, in that the Firm failed to reasonably supervise Moran in violation of Cboe Rule 4.2.

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<sup>3</sup> The term “hand raiser” indicates a market-maker who does not provide a timely market yet raises his/her hand to participate on the trade. According to Moran, such an individual “does not provide any services to the brokerage community.”

## SANCTIONS

19. Lakeshore and Moran, respectively, have relevant disciplinary history with regards to Cboe Rule 4.2 and Moran's violative conduct under Cboe Rule 6.20. On March 23, 2018, Moran was issued a Minor Rule Violation fine of \$500 by Cboe for a trading floor decorum violation in which Moran used profanity and crude language toward members of the VIX trading crowd while Exchange guests were ringing the closing bell on March 13, 2018. Further, as described in Paragraph 4, on April 5, 2018, representatives from Cboe and FINRA held a Compliance Conference with Moran and Lakeshore representatives during which they warned Moran and Lakeshore that continued conduct from Moran that violated Exchange Rule 6.20 could result in formal disciplinary action in the future as to Lakeshore and/or Moran.
20. In light of the alleged rule violations and disciplinary history described above, the Firm and Moran consent to the imposition of the following sanctions:
  - a. A censure to each of Moran and Lakeshore;
  - b. A joint and several fine to Moran and Lakeshore in the amount of \$20,000; and
  - c. A limitation of activity whereby Moran is restricted from serving on any Exchange Committee for six consecutive months from the date of the issuance of the decision in this Matter.

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

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

The Firm and Moran agree to pay the monetary sanction(s) within the designated period set forth in the notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

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

The Firm and Moran understand that they may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm and/or Moran may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange or its staff.

**The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.**

Date: 10-1-20

Lakeshore Securities, L.P.

By: 

Name: Mark Gannon

Title: CCO/Partner

Date: 10-1-20

Sean Moran

