

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

_____)
In the Matter of:)
)
SBA Trading, LLC)
312 Sweetbriar Ct.)
Franklin Lakes, NJ 07417)
)
and) File No. 09-0008
)
Scott Arenstein)
312 Sweetbriar Ct.)
Franklin Lakes, NJ 07417)
)
Respondents)
_____)

DECISION ACCEPTING OFFER OF SETTLEMENT

This proceeding was instituted by the Business Conduct Committee (the “Committee”) of the Chicago Board Options Exchange, Incorporated (the “Exchange”) as a result of an investigation by the staff of the Exchange, which indicated that there was probable cause for finding a violation within the disciplinary jurisdiction of the Exchange. In accordance with that determination, the Committee directed the issuance of a Statement of Charges (“Statement of Charges”). Pursuant to Exchange Rule 17.8, the respondents (“Respondents”), SBA Trading, LLC (“SBA”) and Scott H. Arenstein (“Arenstein”), submitted an offer of settlement (“Offer of Settlement”).

In submitting the Offer of Settlement, the Respondents neither admit nor deny the violations alleged in the Statement of Charges.

The Respondents have agreed that the determination of the Committee to accept the Offer of Settlement shall constitute a final Decision, and, as provided in Exchange Rule 17.8, the Respondents may not seek review thereof.

The Respondents understand and acknowledge that the Committee’s decision in this matter will become part of their disciplinary record and may be considered in any future Exchange proceeding.

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

FACTS

1. During all relevant periods herein, SBA was an Exchange member organization registered to conduct a remote market-maker business.¹
2. During all relevant periods herein, Arenstein was the Managing Member of SBA and, individually and as a fiduciary, owned 99.5 percent of SBA. Arenstein was also registered at the CBOE as a market-maker and nominee of SBA.²
3. During all relevant periods in which the activity noted below occurred, SBA was acting as a registered broker/dealer.
4. During all relevant periods herein, Exchange Rules 4.1 – Just and Equitable Principles of Trade and 4.2 – Adherence to Law; and Regulation SHO of the Securities and Exchange Act of 1934, as amended (the “Act”) and SEC Rule 203(b)(3) – Borrowing and Delivery Requirements thereunder were in full force and effect.
5. Attached to and incorporated in the Statement of Charges as Appendix A (“Appendix A”) is a sampling of 15 short-term options transactions in conjunction with short sales of stock effected by SBA market-maker account AFS, which enabled the contra-party to effect trades that circumvented the closeout obligations of Regulation SHO.
6. Attached to and incorporated in the Statement of Charges as Appendix B (“Appendix B”) is a sampling of 12 short-term options transactions in conjunction with stock purchases, effected by SBA market-maker account AFS, which circumvented the closeout obligations of Regulation SHO.
7. During the approximate period from on or about August 1, 2006 through on or about January 4, 2007, SBA market-maker account AFS effected the short-term options transactions in conjunction with stock sales described in Paragraph Five, above, which enabled other market participants to effect trades that circumvented the Regulation SHO close-out obligations as more fully described in Appendix A attached to and made a part of the Statement of Charges in File 09-0008.
8. During the approximate period from on or about August 1, 2006 through on or about January 4, 2007, SBA market-maker account AFS, effected the short-term options transactions in conjunction with stock purchases described in Paragraph Six, above, which circumvented the Regulation SHO closeout obligations as more fully described in Appendix B attached to and made a part of the Statement of Charges in File No. 09-0008.

FINDINGS

The acts, practices and conduct described in each of Paragraphs 7 and 8 above constitute violations of Exchange Rules 4.1, 4.2 and Regulation SHO of the Act and SEC Rule 203(b)(3) thereunder, by Arenstein and SBA, in that Arenstein on behalf of SBA effected several short-term

¹ Effective January 4, 2007, SBA terminated its membership at the Exchange.

² Effective January 4, 2007, Arenstein terminated his membership at the Exchange.

options transactions in conjunction with stock sales, which enabled other market participants to effect trades that circumvented Regulation SHO close-out obligations as more fully described in Appendix A of the Statement of Charges and effected several short-term options transactions in conjunction with stock purchases which circumvented Regulation SHO closeout obligations as more fully described in Appendix B of the Statement of Charges.

SANCTION

The sanction to be imposed shall consist of a \$35,000 joint and several fine, a censure of each respondent and disgorgement in the amount of \$43,821.90.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondents, SBA Trading, LLC and Scott Arenstein shall be and hereby are each censured and jointly and severally fined in the amount of \$35,000. In addition, the Committee hereby ordered disgorgement in the amount of \$43,821.90.

**SO ORDERED
FOR THE COMMITTEE**

Dated: September 24, 2009

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