

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

_____	)	
In the Matter of:	)	
	)	
HAP Trading, LLC	)	
33 Whitehall Street	)	File No. 10-0020
6 <sup>th</sup> Floor	)	
New York, NY 10004	)	
	)	
Subject	)	
_____	)	

**DECISION ACCEPTING LETTER OF CONSENT**

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. In order to resolve this matter, the subject, HAP Trading, LLC has submitted a Letter of Consent. Such Letter of Consent was submitted solely for the purposes of this proceeding without admitting or denying that a violation of Exchange Rules has been committed. With due regard to the stipulated facts and findings and the proposed sanction contained therein, the Committee believes it is appropriate to accept the Letter of Consent for File No. 10-0020 which is attached to and made a part of this Decision.

**SO ORDERED  
FOR THE COMMITTEE**

Dated: May 25, 2010

/s/ Bruce Andrews \_\_\_\_\_  
**Bruce Andrews**  
**Chairman**  
**Business Conduct Committee**

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33 Whitehall Street	)	10-0020
6 <sup>th</sup> Floor	)	
New York, NY 10004	)	
	)	
Subject	)	
	)	

**LETTER OF CONSENT**

In order to resolve this proceeding pursuant to Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) Rule 17.3, Expedited Proceeding, the Subject, HAP Trading LLC (“HAP”), hereby submits this Letter of Consent in the above captioned matter. Only for purposes of this proceeding and without admitting or denying that a violation of Exchange Rules has been committed, HAP consents to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, HAP<sup>1</sup>, the Subject, was an Exchange member organization registered to conduct business on the Exchange in accordance with Exchange rules as a Market-Maker.
2. During all relevant periods herein, Exchange Rules 4.2 – Adherence to Law; 8.1 – Market-Maker Defined. Exchange Rule 8.3 – Appointment of Market-Makers, Exchange Rule 8.7 – Obligations of Market-Makers, and Federal Reserve Board Regulation X – Borrowers of Securities Credit were in full force and effect.
3. During all relevant periods herein, pursuant to Exchange Rule 8.7 and Interpretation and Policy .03A thereunder, at least 75% of a market-maker’s total contract volume must be in option classes to which he has been appointed.
4. During the first, second and third quarters of 2009, HAP effected approximately .28%, 2.06% and 13.68% respectively, of HAP’s contract volume in HAP’s appointed option classes.

<sup>1</sup> HAP f/k/a PFTC Trading, LLC (name change effective November 4, 2009).

5. During the approximate period from in or about January 2009 through in or about September 2009, HAP effected numerous transactions through the use of orders resulting in the receipt of preferential market-maker treatment where HAP was not entitled to such treatment.
6. On various dates during October and November 2009, HAP exceeded the maximum allowable quote widths established by the Exchange in various option classes.
7. During the approximate period from in or about January 2009 through in or about November 2009, HAP failed to adequately supervise to ensure compliance for the conduct described in Paragraphs 4, 5 and 6 above.
8. The acts, practices and conduct described in Paragraph 4 constitute violations of Exchange Rule 8.7.03A by HAP, in that HAP failed to meet the Exchange's 75% minimum distribution market-maker trading requirement.
9. The acts, practices, and conduct described in Paragraph 5 constitute violations of Exchange Rules 8.1, 8.3, 8.7 and Federal Reserve Board Regulation X by HAP, in that HAP effected numerous transactions through the use of orders resulting in the receipt of preferential market-maker treatment where HAP was not entitled to such treatment.
10. The acts, practices and conduct described in Paragraph 6 above constitute a violation of Exchange Rules 8.7(b)(iv) and 8.7(d)(ii)(A) by HAP, in that HAP disseminated market quotes in various classes beyond the allowable spread width as specified by the Exchange.
11. The acts, practices and conduct described in Paragraph 7 above constitute a violation of Exchange Rule 4.2 by HAP, in that HAP failed to adequately supervise to ensure compliance for the conduct described in Paragraphs 4, 5 and 6 above.

Sanction: A thirty thousand dollar (\$30,000) fine and a censure.

Subject acknowledges that it has read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to it by the Exchange or its staff, and that this Letter of Consent is voluntary on its part.

Subject understands and acknowledges that the Committee's decision in this matter will become part of its disciplinary record and may be considered in any future Exchange proceeding.

Subject also acknowledges that the Committee's decision to accept or reject this Letter of Consent is final, and that it may not seek review thereof in accordance with Exchange Rule 17.3.

April 30, 2010  
Date

/s/ HAP Trading LLC  
HAP Trading LLC

/s/ Michael Joseph  
Print Name

Chief Operating Officer  
Title