

**IN ARBITRATION  
UNDER CHAPTER XVIII OF THE RULES  
OF THE CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED**

IN THE MATTER OF	)	
	)	
	)	
Geneva Trading LLC,	)	
	)	
Claimant,	)	
	)	
v.	)	File No. 06M001
	)	
Wolverine Trading LLC,	)	
	)	
Respondent.	)	
	)	

**Representation**

For Claimants:       Pro se  
For Respondent:      Pro se

**Pleadings**

Statement of Claim and Submission Agreement, filed on or about:	March 13, 2006
Answer, filed on or about:	April 21, 2006
Motion to Dismiss, filed on or about:	July 12, 2006

**Hearing**

The named parties appeared at the hearing sessions specified below, and had full opportunity to present arguments and evidence.

<u>Date(s)</u>	<u>No. of Sessions</u>	<u>Location</u>
November 16, 2006	1	Chicago, Illinois

**Summary of Issues**

On or about March 13, 2006, Geneva Trading LLC ("Geneva" or "Claimant"), filed a Statement of Claim ("Statement of Claim") against Wolverine Trading LLC ("Wolverine" or "Respondent"), claiming that on or about December 27, 2005, Wolverine traded against Geneva's quotes in five separate transactions and that these trades were in violation of CBOE rules. In its Statement of Claim, Geneva contends that on December 27, 2005, Geneva was entering quotes in Jet Blue Airways Corporation ("Jet Blue") option classes ("WQK"). Geneva alleges that on December 27, 2005, the strike prices in certain series of WQK were adjusted, but due to inaccurate data provided to Geneva by a third party information provider, such adjustments were not reflected in Geneva's quotes. Geneva argues that this resulted in Geneva quoting certain WQK series at a price below parity. Specifically, Geneva alleges that its quotes in the WQK January 6.625 calls were erroneously quoted at \$9.70 bid – \$10.10 offer instead of at \$17.30 bid - \$17.80 offer; the WQK January 13.375 calls were erroneously quoted at \$3.10 bid – \$3.50 offer instead of at \$10.60 bid - \$11.00 offer; and the WQK January 20 calls were erroneously quoted at \$0.15 bid – \$0.40

offer instead of at \$4.20 bid - \$4.50 offer. Geneva alleges in its Statement of Claim that Wolverine traded against Geneva in five separate transactions<sup>1</sup> on December 27, 2005. Geneva further alleges that Wolverine knew that Geneva's quotes were erroneous and that Wolverine traded against the erroneous quotes by submitting contra orders, and was therefore unjustly enriched by an amount in excess of \$75,000. Geneva also claims that despite numerous attempts by Geneva, Wolverine has refused to resolve this matter in a fair and equitable manner by canceling the transactions or otherwise compensating Geneva for its losses in connection with the five transactions.

Wolverine filed an answer to the Statement of Claim on or about April 21, 2006 ("Answer"). In its Answer, Wolverine denies all claims and allegations made by Geneva. In its Answer, Wolverine alleges that on December 27, 2005, certain trades in WQK were being reviewed by the Exchange in accordance with CBOE Rule 6.25, and at 9:38 a.m., CBOE notified all Exchange participants that all trades executed in WQK between but not limited to 9:03 a.m. through 9:50 a.m. central time were being busted or adjusted by the Exchange. Further, Wolverine argues that it was not involved in nor did it have any control in the determination by CBOE not to adjust or bust any other trades in WQK, including the transactions cited by Geneva in its Statement of Claim, and that Wolverine simply abided by the Exchange's decision in this matter. Wolverine denies that it was "patently obvious" that Geneva's quotes were clearly erroneous and that three exchanges, CBOE, Philadelphia Stock Exchange and the American Stock Exchange were quoting WQK options with similar values. Wolverine also claims that it was Wolverine who first notified CBOE of the possibility of erroneous quotes in WQK and that the first CBOE notification that WQK was being reviewed was at 9:38 a.m. central time. Wolverine also argues in its Answer that Geneva's allegation that the damages suffered by Geneva were approximately \$75,000 is grossly exaggerated and lacks credibility. Wolverines contends that utilizing the values of the five separate transactions provided by Geneva in its Statement of Claim clearly establishes that any purported losses would be significantly less. Wolverine lastly contends in its Answer that it was CBOE that determined not to adjust the five transactions, referenced by Geneva in its Statement of Claim, under CBOE Rule 6.25 and that Wolverine abided by the Exchange's decision in these transactions as well as with acting in compliance with all CBOE rules. Wolverine therefore requests that Geneva's claim be denied in its entirety and that Geneva reimburse Wolverine for its costs associated with this action.

In addition, Wolverine filed a Motion to Dismiss Geneva's Statement of Claim on July 12, 2006. In its Motion to Dismiss, Wolverine argues that since it was the Exchange that decided not to adjust or bust the trades referenced by Geneva in its Statement of Claim, and not Wolverine, Geneva should have dealt with this matter through the appeals process under the Exchange's rules and therefore such claim against Wolverine should be dismissed.

#### **Award\***

After due deliberation and in consideration of the hearing testimony, documentary evidence, and other submissions made by the parties, the undersigned arbitrators, in full and final resolution of all issues in controversy, award as follows:

1. Respondent's Motion to Dismiss is denied.
2. Claimant's request for approximately \$75,000 plus interest is denied.
3. Claimant's request for costs is denied.

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<sup>1</sup> Wolverine purchased from Geneva: (i) 10 WQK January 6.625 calls at \$10.10 at 8:39:39 a.m.; (ii) 10 WQK January 13.375 calls at \$3.50 at 8:58:37 a.m.; (iii) 10 WQK January 13.375 calls at \$3.50 at 9:00:16 a.m.; (vi) 10 WQK January 20 calls at \$0.25 at 8:56:09 a.m.; and (v) 10 WQK January 20 calls at \$0.40 at 8:57:55 a.m.

\* Pursuant to CBOE Rule 18.31, all monetary awards shall be paid within thirty (30) days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction.

4. Respondent's request for costs is denied.
5. Claimant shall pay all filing and forum fees, totaling \$1,100.

#### Forum Fees

Pursuant to Exchange Rule 18.33, the Arbitrators assess the following filing and forum fees:

Initial Filing Fee – Claim	\$500
Hearing Session Fees (1 x \$600)	\$600
Total	\$1,100

1. Responsibility for the filing and forum fees, totaling \$1,100, shall be assessed as follows: Claimant shall be responsible for \$1,100 and Respondent shall be responsible for no fees.
2. The Exchange shall retain the non-refundable filing fee in the amount of \$500 and the hearing session deposit in the amount of \$600, as previously submitted by Claimant.

/s/ Stephen P. Donahue  
Stephen P Donahue, Chairman and Industry Arbitrator

12-13-06  
Date

/s/ Allen D. Greenberg  
Allen D Greenberg, Industry Arbitrator

12-13-06  
Date

/s/ Kevin Lawless  
Kevin Lawless, Industry Arbitrator

12-13-06  
Date