ADMINISTRATIVE PROCEEDING
File No. 3-17890

SEC Charges Brokerage Firm with Overcharging Customers Millions of Dollars

March 29, 2017 – The Securities and Exchange Commission today announced that Louis Capital Markets, LP, a registered broker-dealer located in New York, agreed to settle charges that it unlawfully obtained millions of dollars from its customers by adding hidden markups and markdowns to their trades.

According to the SEC's order instituting administrative and cease-and-desist proceedings, from at least 2008 through October 2012, members of Louis Capital's cash equity desk secretly charged the firm's customers markups or markdowns – the vast majority of which ranged from a few dollars to thousands of dollars – in addition to the small commissions that Louis Capital told customers they were charging them. In order to disguise the secret charges, these brokers provided false prices to their customers. The markups and markdowns were difficult to detect because the brokers added these hidden fees during times of market volatility.

The SEC's order finds that Louis Capital willfully violated Section 15(c)(1) of the Securities Exchange Act of 1934, which prohibits fraudulent conduct by a broker-dealer in effecting, inducing or attempting to induce any securities transaction. Without admitting or denying the findings, Louis Capital agreed to a cease-and-desist order, a censure, and to pay $2.5 million in disgorgement. In accepting Louis Capital's offer, the SEC considered the particular circumstances of this case, including Louis Capital's financial condition.

The SEC's investigation was conducted by A. Kristina Littman, Assunta Vivolo, Matthew Koop, and Scott A. Thompson of the Division of Enforcement's Market Abuse Unit in Philadelphia, and was supervised by Joseph G. Sansone, co-chief of the Market Abuse Unit.

See also: [Order]