

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 72846 / August 14, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16017**

**In the Matter of**

**LINKBROKERS**  
**DERIVATIVES LLC,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT OF  
1934, MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b), and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Linkbrokers Derivatives LLC (“Linkbrokers” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Exchange Act, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. Summary

These proceedings arise out of a fraudulent scheme perpetrated by certain employees at Linkbrokers, a New York based interdealer broker, to unlawfully take secret profits of more than \$18 million at the expense of its customers. From at least 2005 through at least February 2009 (the "relevant period"), on over 36,000 customer transactions, certain employees of Linkbrokers perpetrated the scheme by charging customers false prices in which Linkbrokers embedded hidden markups or markdowns.

Marek Leszczynski, Benjamin Chouchane, Gregory Reyftmann, Henry Condron, and another individual (hereinafter "Middle-Office Assistant 1") (collectively "the Linkbrokers Team") worked on Linkbrokers' "Cash Desk," executing orders to purchase and sell securities on behalf of their customers, primarily large foreign institutions and foreign banks, and purportedly charging small commissions—typically between a fraction of a penny and two pennies per share. Typically, the Cash Desk executed trades for Linkbrokers' customers on a "riskless principal" basis.<sup>2</sup> That is, the customer gave the Cash Desk the order, the order was filled in the market under Linkbrokers' name, then allocated to the customer. Thus, typically, Linkbrokers facilitated the transactions in exchange for the agreed-upon commission, and, essentially, served as an intermediary for others who assumed the market risk.

The scheme was devious and difficult for Linkbrokers' customers to detect, in part because the Linkbrokers Team selectively engaged in it when the volatility in the market was sufficient to conceal the fraud from the customer. The Linkbrokers Team fraudulently charged customers over \$18 million, representing approximately 40% of the Cash Desk's earnings generated for Linkbrokers during the relevant time period.

After receiving and executing orders on behalf of customers, Reyftmann, Chouchane, or Leszczynski routinely evaluated each transaction to determine whether they could make an additional or "secret" profit for Linkbrokers above the commission to be charged to the customer. Reyftmann, Chouchane, or Leszczynski—with the assistance of Condron or Middle-Office Assistant 1—considered other transactions in the relevant security occurring in the seconds to minutes before and after the actual trade executed. Where the price fluctuated sufficiently to conceal the fraud from customers, Reyftmann, Chouchane, or Leszczynski instructed Condron or Middle-Office Assistant 1 to record, on Linkbrokers' internal records, a false execution price that

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> In general, a "riskless principal" trade occurs when a broker-dealer, after receiving a customer order to buy (or sell) a security, buys (or sells) the security for its own account from (or to) another person in a contemporaneous offsetting transaction and then allocates the shares to the customer order.

included a secret profit for Linkbrokers. Then, Linkbrokers charged the customer the inflated price while also charging the agreed-upon commission. In that way, Linkbrokers received not only the actual commission charged, but also the fraudulent secret profit that Reyftmann, Chouchane, or Leszczynski, with assistance from Condrón or Middle-Office Assistant 1, embedded in the price reported to the customer.

Brokers have a fundamental obligation to treat customers fairly. Customers, even sophisticated entities, rely on their brokers to execute orders at the most favorable terms reasonably available under the circumstances, taking into account the price and the customer's instructions, among other factors. In return for the services provided, the customer pays the broker the agreed upon compensation. When a broker represents that it will act as an agent for the customer and negotiates the compensation the customer will pay on transactions, if the broker then imbeds an undisclosed markup or markdown in the price reported and charged to the customer, it violates the law, injures its customer, unnecessarily increases the customer's costs, and undermines the trust upon which the broker-customer relationship is founded.

Leszczynski, Chouchane, and Condrón have pled guilty to criminal charges arising from the conduct discussed herein. In addition, in *SEC v. Leszczynski, et al.*, Civil Action No. 12-cv-07488 (S.D.N.Y.), the Court entered judgments against Leszczynski, Chouchane, and Condrón, permanently enjoining them from violating Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. In the judgments, Leszczynski was ordered to disgorge \$1,500,000; Chouchane was ordered to disgorge \$2,007,408 plus prejudgment interest of \$442,169; and Condrón was ordered to disgorge \$168,336 plus prejudgment interest of \$39,339. The Court reserved the issue of whether to impose a civil penalty on these defendants. Acknowledging the facts to which they have admitted as part of their guilty pleas in parallel criminal cases, Leszczynski, Chouchane, and Condrón consented to the entry of these judgments.

Linkbrokers is liable for the conduct of the members of the Linkbrokers Team. As such, Linkbrokers willfully violated Section 15(c)(1) of the Exchange Act.

## **B. Respondent**

1. Linkbrokers is a limited liability company formed under the laws of Delaware. During the relevant period, Linkbrokers' principal place of business was in New York, New York. It has been registered with the Commission as a broker-dealer since 2003. Linkbrokers ceased acting as a broker-dealer in April 2013 and will withdraw its broker-dealer registration following this settlement.

## **C. Other Relevant Persons**

2. Gregory Reyftmann ("Reyftmann"), age 40, was a sales broker and supervisor at Linkbrokers from February 2005 until June 2010. During that period, Reyftmann was the head of the Cash Desk and responsible for supervising Chouchane, Leszczynski, Condrón,

and others. He is a defendant in the related case *SEC v. Leszczynski, et al.*, No. 12-cv-07488 (S.D.N.Y.). He has not appeared to defend that action.

3. Benjamin Chouchane (“Chouchane”), age 40, was a sales broker at Linkbrokers from February 2005 until December 2010. He pled guilty in a criminal case arising from the same conduct discussed herein, *United States v. Leszczynski*, No. 12-cr-00923 (S.D.N.Y.). He was sentenced to serve two years in prison, serve two years of supervised release, and pay \$5 million in restitution. In addition, he was a defendant in the related case *SEC v. Leszczynski, et al.*, Civil Action No. 12-cv-07488 (S.D.N.Y.).<sup>3</sup>

4. Marek Leszczynski (“Leszczynski”), age 44, was a sales broker at Linkbrokers from March 2005 until December 2010. He pled guilty in a criminal case arising from the same conduct discussed herein, *United States v. Leszczynski*, No. 12-cr-00923 (S.D.N.Y.). He was sentenced to serve eighteen months in prison, serve two years of supervised release, and pay \$1.5 million in restitution. In addition, he was a defendant in the related case *SEC v. Leszczynski, et al.*, Civil Action No. 12-cv-07488 (S.D.N.Y.).

5. Henry A. Condrón (“Condrón”), age 35, was a sales trader and middle-office assistant at Linkbrokers from February 2005 until October 2010. He pled guilty in a criminal case arising from the same conduct discussed herein, *United States v. Condrón*, No. 12-cr-768 (S.D.N.Y.). He was sentenced to serve eighteen months of probation and pay \$207,675 in restitution. In addition, he was a defendant in the related case *SEC v. Leszczynski, et al.*, Civil Action No. 12-cv-07488 (S.D.N.Y.).

6. Middle-Office Assistant 1 worked at Linkbrokers from November 2004 until April 2011. For most of the relevant period, he worked as a middle office assistant and sales trader on the Cash Desk.

#### **D. Facts**

7. During the relevant time period, Linkbrokers acted as an interdealer broker for institutional customers dealing in equities products, both cash and derivatives.

8. Linkbrokers established its Cash Desk in February 2005. The Cash Desk executed trades in U.S. and Canadian stocks. Its customers were primarily large foreign institutions and foreign banks. Typically, Linkbrokers operated as an agent and executed large volumes of securities trades on behalf of customers for low commissions. The Cash Desk typically did not hold any securities itself. The Cash Desk was one of several desks at Linkbrokers.

9. Linkbrokers marketed and advertised itself as an agency-only business. For example, in marketing materials distributed on March 8, 2007, Linkbrokers represented that

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<sup>3</sup> The judgments against Chouchane, Leszczynski, and Condrón in this civil action will be discussed in more detail below in Section III, part D (“Facts”).

“Link acts as a fiduciary in all transactions. Link trades on an agency basis in transactions with the sole purpose of providing best execution.” In separate marketing materials distributed on January 4, 2007, Linkbrokers further stated that it provided “unparalleled execution without the conflicts of investment banking and proprietary trading.”

10. Linkbrokers’ internal records show that, for the majority of its customers, the Cash Desk was to charge its customers flat commission rates between \$0.005 per share and \$0.02 per share.

11. Reyftmann, Chouchane, Leszczynski, Condrón, and Middle-Office Assistant 1, collectively known as the Linkbrokers Team, were employees of Linkbrokers and were acting in the course and scope of their employment when they engaged in the improper conduct described herein. Linkbrokers is liable for the conduct of the members of the Linkbrokers Team.

12. Reyftmann, Chouchane and Leszczynski were “sales brokers” on the Cash Desk and were responsible for finding customers, developing relationships, negotiating commission rates, taking orders from customers, and communicating with customers regarding their orders and Linkbrokers’ execution of those orders. Reyftmann also supervised the Cash Desk during the relevant period.

13. Condrón and Middle-Office Assistant 1 were “sales traders” on the Cash Desk who entered orders they received from the sales brokers into systems for execution.

14. Condrón and Middle-Office Assistant 1 also served as “middle-office assistants.” As middle-office assistants, Condrón and Middle-Office Assistant 1 maintained and updated Linkbrokers’ internal “trade blotter” (hereafter “Trade Blotter”), a spreadsheet generated from Linkbrokers’ proprietary software program which contains detailed information about trades executed by the Linkbrokers Team, including the names of the customers and execution prices. The Trade Blotter contained three price fields: (1) the actual “execution price” received by Linkbrokers; (2) the “gross price” – the price that included the undisclosed markup/markdown; and (3) the “net price” – the gross price plus the agreed-upon commission rate. The Linkbrokers Team used the Trade Blotter to record profits from the unlawful scheme.

15. In addition, as middle-office assistants, Condrón and Middle-Office Assistant 1 reported customer trades to Linkbrokers’ clearing firm (either through a transfer via Linkbrokers’ proprietary software program or directly), reviewed trade settlement by the clearing firm, calculated daily profit and loss, and sent trade recaps and/or trade confirmations via email to customers.

16. Depending on the customer’s preference, Linkbrokers, through Reyftmann, Chouchane and Leszczynski, accepted customer orders by telephone, instant message, or email. The Linkbrokers Team also confirmed trades to customers by telephone, instant message, email or mail, depending on the customer’s preference.

**Leszczynski, Chouchane, And Condron Have Admitted To Conduct That Violates  
The Securities Laws**

17. In *SEC v. Leszczynski, et al.*, Civil Action No. 12-cv-07488 (S.D.N.Y.), the Court entered judgments against Leszczynski, Chouchane, and Condron, permanently enjoining them from violating Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. This action arose from the same conduct at issue in the criminal cases, *United States v. Leszczynski*, No. 12-cr-00923 (S.D.N.Y.) and *United States v. Condron*, No. 12-cr-768 (S.D.N.Y.), in which Leszczynski, Chouchane, and Condron each pled guilty to criminal charges.

18. In *SEC v. Leszczynski*, Leszczynski was ordered to disgorge \$1,500,000; Chouchane was ordered to disgorge \$2,007,408 plus prejudgment interest of \$442,169; and Condron was ordered to disgorge \$168,336 plus prejudgment interest of \$39,339. The Court reserved the issue of whether to impose a civil penalty on these defendants.

19. In consenting to the judgments in *SEC v. Leszczynski*, Leszczynski, Chouchane, and Condron each acknowledged having admitted, in connection with his guilty plea, to certain conduct. That conduct constitutes violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

20. Leszczynski admitted:

- a. He made false statements to customers in connection with purchases and sales of securities;
- b. He added undisclosed markups to customer trades; and
- c. He sent false execution prices to customers and failed to disclose the markups.

21. Chouchane admitted:

- a. He made false statements to customers in connection with purchases and sales of securities;
- b. He caused commissions to be recorded into trading records that were in excess of the commissions agreed-upon by customers;
- c. He caused false trading confirmations to be generated and sent to various customers; and
- d. He enabled Linkbrokers to receive undisclosed trading profits beyond the legitimate trading commissions to which it was entitled, resulting in lucrative performance bonuses for himself and others.

22. Condrón admitted:

- a. He caused commissions to be recorded into trading records that were in excess of the commissions agreed upon by customers;
- b. He caused false trading confirmations to be generated and sent to various customers; and
- c. He enabled Linkbrokers to receive undisclosed trading profits beyond the legitimate trading commissions to which it was entitled, resulting in lucrative performance bonuses for him and others.

**Linkbrokers Generated Significant Profits Through The Undisclosed Markups/Markdowns**

23. During the relevant period, the Cash Desk generated approximately \$47 million in gross revenue for Linkbrokers. Approximately 40% of that revenue—over \$18 million—was attributable to the markups/markdowns that Linkbrokers failed to disclose to its customers. The Linkbrokers Team added undisclosed markups/markdowns to more than 36,000 customer transactions, approximately one-third of the total customer transactions placed through the Cash Desk over a period of at least four years. And more than 3,300 of those transactions were marked up or down so that customers paid 1,000% or more of the disclosed commission charged the customer.

24. During the relevant period, Linkbrokers paid millions of dollars in bonuses to Reyftmann, Chouchane, and Leszczynski based on the revenue derived from the Cash Desk.

**The Undisclosed Markups/Markdowns**

25. The Linkbrokers Team concealed the markups/markdowns from Linkbrokers' customers by, among other things, misrepresenting execution prices to the customers, and omitting information relating to markups/markdowns.

26. In addition, the Linkbrokers Team opportunistically engaged in adding undisclosed markups/markdowns to trades when they thought the particular customer would not detect it, frequently taking advantage of market volatility to conceal the conduct.

27. The undisclosed markups/markdowns ranged anywhere from a few dollars to \$228,822 per transaction.

28. The markup/markdown scheme worked in the following way:

- a. A sales broker received a customer order either by telephone, instant message, or email.

- b. The sales broker gave the order to a sales trader to execute.
- c. The sales trader executed the trade.
- d. After the order was executed, a middle-office assistant recorded the actual execution price on the Trade Blotter and informed the sales broker of the execution.
- e. Shortly after the trade was executed, the sales broker examined other market executions in or around the time of the actual execution, to determine whether the stock price fluctuated. If the stock price's fluctuation was favorable to Linkbrokers and sufficient to conceal the fraud from Linkbrokers' customer, the sales broker instructed the middle-office assistant to record a false execution price in the gross price field on their internal Trade Blotter.
- f. A member of the Linkbrokers Team reported the false execution price and the commission to the customer, and recorded the total charged to the customer in the net price field on their internal Trade Blotter.

29. Frequently, the Linkbrokers Team provided the false and/or misleading information through trade recaps communicated to customers by telephone, instant message, or email. The Linkbrokers Team also sent, or caused to be sent, trade confirmations containing the false and/or misleading information to some customers.

#### **Examples Of The Markups/Markdowns**

30. On September 29, 2008 at 3:54 p.m., a customer placed an order by telephone with Leszczynski to sell 90,000 shares of Citigroup, Inc. ("C"). Linkbrokers executed the trade at 3:56 p.m., selling 90,000 shares of C on the customer's behalf at an average price of \$19.1311 per share. The Trade Blotter reflects an execution price of \$19.1311, a gross price of \$17.7500, and a net price of \$17.7435. At 5:01 p.m., Middle-Office Assistant 1 generated, and emailed to the customer, a trade confirmation containing the false execution price of \$17.7500 per share. The commission for this transaction was \$0.0065 per share, resulting in a total commission of \$585 for the trade, which Linkbrokers charged and disclosed to the customer. However, Linkbrokers, and the Linkbrokers Team, failed to disclose the additional markdown of \$124,299, thereby taking this undisclosed profit for Linkbrokers at the expense of its customer.

31. On February 27, 2007 at 3:36 p.m., a customer emailed Chouchane an order to buy shares of Bristol-Myers Squibb Co. ("BMY"). Linkbrokers executed the trade, purchasing 32,100 shares of BMY stock on the customer's behalf at an average price of \$26.3956 per share. The Trade Blotter reflects an execution price of \$26.3956, a gross price of \$26.4356, and a net price of \$26.4456. At 7:02 p.m., Chouchane emailed the customer a trade recap confirming the trade at the false execution price of \$26.4356 per share. The



commission for this transaction was \$0.01 per share, resulting in a total commission of \$321 for this trade, which Linkbrokers charged the customer. However, Linkbrokers, and the Linkbrokers Team, failed to disclose the additional markup of \$1,284, thereby taking this undisclosed profit for Linkbrokers at the expense of its customer.

32. On September 16, 2008 at 3:23 p.m., a customer placed an order by telephone with Leszczynski to sell 350,000 shares of American International Group, Inc. (“AIG”). Linkbrokers executed the trade, selling 350,000 shares of AIG at an average price of \$4.3709 per share. The Trade Blotter reflects an execution price of \$4.3709, a gross price of \$4.3629, and a net price of \$4.3554. At 3:26 p.m., Leszczynski confirmed the trade by telephone to the customer at the false price of \$4.3629 per share. The commission for this transaction was \$0.0075 per share, resulting in a total commission of \$2,625 for this trade, which Linkbrokers charged the customer. However, Linkbrokers, and the Linkbrokers Team, failed to disclose the additional markdown of \$2,800, thereby taking this undisclosed profit for Linkbrokers at the expense of its customer.

33. On October 8, 2007, Linkbrokers received a customer order to sell shares of Apple, Inc. (“AAPL”). From 9:36 a.m. until 9:45 a.m., Linkbrokers executed the trade, selling 40,000 shares of AAPL on the customer’s behalf at an average price of \$164.1475 per share. The Trade Blotter reflects an execution price of \$164.1475, a gross price of \$164.1225, and a net price of \$164.1160. At 4:26 p.m., Condrón generated, and emailed to the customer, a trade confirmation containing the false execution price of \$164.1225 per share. The commission for this transaction was \$0.0065 per share, resulting in a total commission of \$260 for the trade, which Linkbrokers charged and disclosed to the customer. However, Linkbrokers, and the Linkbrokers Team, failed to disclose the additional markdown of \$1,000, thereby taking this undisclosed profit for Linkbrokers at the expense of its customer.

**Linkbrokers Generated Additional Profits  
By Stealing Portions Of Trades From Its Customers**

34. In addition to the markups/markdowns, at times, the Linkbrokers Team used a second method to secure illicit profits at the expense of Linkbrokers’ customers. Specifically, where a customer placed a limit order and there was a favorable intraday price movement in the price of the security, the Linkbrokers Team would sometimes take advantage of that movement to steal a portion of a favorable trade for Linkbrokers.

35. A “limit order” refers to an order to buy or sell a security at a specific price or better. For example, a customer could place a limit order to buy 100 shares of ABC stock at a price not greater than \$10.00 per share. If the broker can fill the order at that price or better, it should do so. But if the price of ABC stock is above the price specified by the customer in the limit order, the shares will not be purchased.

36. On one or more occasions, after accepting and executing a customer’s limit order, the Linkbrokers Team did not immediately report the transaction to the customer. Rather, the sales broker then looked for an opportunity to buy or sell that same stock at a lower or higher

price than the price at which the customer's trade was executed. If the opportunity to get a superior execution price existed, the sales broker instructed a middle-office assistant to buy the stock at a lower price than the execution price, or to sell the stock at a higher price than the execution price—taking the difference (or spread) between the two execution prices for Linkbrokers.

37. The middle-office assistant, rather than properly recording the actual execution price and quantity of the customer's original transaction in the Trade Blotter, entered a partial fill into the Trade Blotter.

38. Afterwards, the sales broker and/or the middle-office assistant reported to the customer that only part of the order was executed.

39. In this way, the Linkbrokers Team used the customer's funds to conduct a risk-free transaction profiting Linkbrokers, without the customer being aware of what Linkbrokers was doing.

#### **Example Of A Partially Stolen Trade**

40. On April 26, 2007, Linkbrokers received a customer order to sell shares of Qualcomm, Inc. ("QCOM"). From 2:48 p.m. until 2:49 p.m., Linkbrokers executed the trade, selling 22,576 shares of QCOM on the customer's behalf at an average price of \$45.7500. At 3:41 p.m., Linkbrokers bought back 3,000 shares—shares that should have been allocated to the customer—for an average price of \$45.3500. At 4:30 p.m. Leszczynski falsely reported to the customer that Linkbrokers was only able to sell 19,576 shares for the customer and was not able to fill the remaining shares ordered by the customer. Specifically, Leszczynski stated: "Remaining balance cancelled as stock didn't trade @ the limit." At 4:40 p.m., despite having sold 22,576 shares, Linkbrokers allocated sell executions representing only 19,576 shares of QCOM to its customer for a gross execution price of \$45.7500 per share. Linkbrokers kept an additional secret profit of approximately \$1,200 on the purchase of the 3,000 shares for itself. In total, Linkbrokers recognized approximately \$1,335 in profits from the transaction while disclosing a commission of \$135.07 to the customer.

#### **Deceptive Conduct To Facilitate The Scheme**

41. In order to perpetuate the scheme described above, the Linkbrokers Team engaged in a range of deceptive conduct. For example, at the inception of the Cash Desk, in February 2005, Condrón and Reyftmann coordinated with employees of Linkbrokers' IT staff to create a function within Linkbrokers' proprietary software to facilitate the deceptive scheme.

42. On February 7, 2005, a Linkbrokers IT specialist emailed Reyftmann, Condrón, and others and informed them that he named the "Extra" field in the Trade Blotter the "gross price" field. He also warned that if they wanted to enter a different gross price than execution

price that the gross price field had to be populated after the execution price field was populated.

43. In other emails, dated February 7, 2005, a Linkbrokers executive described to Condrón and Reyftmann, among others, that Linkbrokers' proprietary software has two different commission fields—one for actual total commission charged and one for the commission amount that would be provided to the customer.

44. Condrón also emailed a Linkbrokers IT Specialist on April 10, 2006, to ask him to fix Linkbrokers' proprietary software system to ensure that the customer will "*never see [the execution price]*" on any customer statements or trade confirmations. (emphasis added). The following day, the Linkbrokers IT Specialist responded to Condrón's email, which included Reyftmann, Middle-Office Assistant 1, Linkbrokers' Chief Compliance Officer, and another Linkbrokers IT specialist, and explained that he "unchecked" the execution price field, but left a check box next to the field "in case you ever might want" to disclose the execution price.

### **Linkbrokers Acted With Scienter**

45. Among other things, Linkbrokers authorized the Linkbrokers Team to interact with customers, agree upon commission rates to be charged for the services provided, and communicate the details of the transactions to the customers.

46. When engaging in the conduct described herein, the members of the Linkbrokers Team were employees of Linkbrokers and acting within the scope of their authority. Linkbrokers is liable for the conduct of the members of the Linkbrokers Team.

47. Reyftmann, Chouchane, and Leszczynski knew that the prices and/or commissions that they and Linkbrokers confirmed to their customers, either orally or in writing, were false because they knew the prices at which the transactions were actually executed and they created the fictitious prices. And, where the Linkbrokers Team stole part or all of the customer's trade, they knew that they were making misrepresentations to the customer when they represented, either orally or in writing, that Linkbrokers had been unable to fill a particular limit order in its entirety.

48. Condrón knew or was reckless in not knowing that the confirmations he, the sales brokers, and Linkbrokers sent to customers contained false and/or misleading information and omitted the markups/markdowns. Condrón received the false prices from the sales brokers and input them into Linkbrokers' internal database and then printed the confirmations or emailed the trade recaps that contained the false prices and intentionally omitted the markups/markdowns. And, where Linkbrokers stole part or all of the customer's trade, Condrón knew that he was making misrepresentations to the customer when he represented, either orally or in writing, that Linkbrokers had been unable to fill a particular limit order in its entirety.

**Linkbrokers Made Material Misrepresentations And Omissions  
Regarding Its Execution Of Customers' Orders**

49. The Linkbrokers Team, through telephone conversations, instant messages, emailed trade recaps, and trade confirmations sent to customers, disclosed false execution prices, false order fills, and inaccurate fees charged to customers and omitted to disclose significant markups/markdowns embedded in the execution prices disclosed to the customers and that Linkbrokers stole portions of the customers' trades for itself.

50. In addition, contrary to express and implied representations that it would provide its customers with best execution, Linkbrokers knew or was reckless in not knowing that it failed to provide its customers with best execution because the Linkbrokers Team did not provide its customers with the best available prices. While the Linkbrokers Team executed the trades in the marketplace, they gave their customer a worse price than they had obtained by adding in the undisclosed markup/markdown. Not only did Reyftmann, Chouchane, and Leszczynski know that there were better prices available, they had obtained them. But they gave the fictitious and inferior prices to their customers to take the difference between actual and better execution and the fictitious execution price for Linkbrokers.

51. Finally, the Linkbrokers Team accepted and executed customer orders, then misappropriated a portion of the trade for Linkbrokers' own secret profit. Rather than reporting the full transaction to the customer, the sales brokers looked for an opportunity to buy or sell that same stock at a lower or higher price than the execution. After executing another transaction for Linkbrokers' benefit, the Linkbrokers Team caused false reports to be provided to the customer that only part of the order was executed.

**E. Violation**

52. As a result of the conduct described above, Linkbrokers willfully violated Section 15(c)(1) of the Exchange Act, which prohibits fraudulent conduct by a broker-dealer in effecting, inducing or attempting to induce any securities transaction.

**IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent Linkbrokers cease and desist from committing or causing any violations and any future violations of Section 15(c) of the Exchange Act.
- B. Respondent Linkbrokers is censured.

C. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$14,000,000 to the Securities and Exchange Commission. If timely payment is not made, interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Linkbrokers as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to G. Jeffrey Boujoukos, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, One Penn Center, 1617 JFK Boulevard, Suite 520, Philadelphia, PA 19103.

By the Commission.

Jill M. Peterson  
Assistant Secretary