

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

**SECURITIES ACT OF 1933**  
**Release No. 11093 / August 16, 2022**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95510 / August 12, 2022**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 34675 / August 16, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20966**

**In the Matter of**

**CONRAD NEIL NORMANN,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933, SECTIONS  
15(b)(6) AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, AND SECTION  
9(b) OF THE INVESTMENT COMPANY  
ACT OF 1940, 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 Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Conrad Neil Normann (“Normann” 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents

to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b)(6) and 21C of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940, 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 that:

#### Summary

1. From September 2017 through May 2018 (the “relevant time”), Normann, a day trader, carried out a manipulative securities trading scheme that involved placing and then, seconds before market close, canceling “Closing D Orders,” an order type offered by the New York Stock Exchange (“NYSE”), thus fraudulently altering NYSE’s closing auction order imbalance messages – electronic messages published by the NYSE to market participants during the last ten minutes of trading and reflecting, among other things, the balance of selling and buying interest for the NYSE’s closing auction in a particular security.

2. A Closing D Order is a limit order with an instruction to exercise specified price discretion in the NYSE closing auction. Unlike other closing auction orders, which are incorporated in the NYSE’s published closing auction order imbalance messages starting at 3:50 p.m., and which can only be canceled until 3:50 p.m., Closing D Orders are incorporated in the NYSE’s imbalance messages only during the last five minutes of trading, between 3:55 p.m. and 4:00 p.m., and they can be canceled until 3:59:50 p.m. – that is, 10 seconds before market close.

3. On over 700 occasions during the relevant time, Normann used non-bona fide Closing D Orders – that is, orders that he did not intend to execute – to create a false appearance of increased supply or demand for a particular security during the five-minute window when NYSE included Closing D Orders in its closing auction order imbalance messages. Normann’s non-bona fide Closing D Orders fraudulently distorted the information provided in the published imbalance messages and concealed from other market participants the true expected supply and demand for the closing auction.

4. To benefit from this distortion, Normann typically would establish a position on the opposite side of the market during the last minute of trading, when his non-bona fide Closing D Order was pending and included in the published imbalance information. For example, if his non-bona fide Closing D Order was pending on the sell side and thus created a false appearance of greater selling interest (relative to buying interest) in the security, he would establish a long position, by acquiring that security in the continuous market. Conversely, if his non-bona fide Closing D Order was pending on the buy side and created a false appearance of greater buying interest (relative to selling interest) in the security, he would establish a short position, by selling short that security in the continuous market.

5. Then, seconds before market close, Normann would cancel his non-bona fide Closing D Order , removing the false appearance of supply or demand that he had injected into the market.

6. Normann would then close out his just-established long or short position in the closing auction, most of the time realizing a profit from his manipulative conduct.

7. Normann reaped ill-gotten gains of over \$94,000 from this scheme.

### **Respondent**

8. Normann, age 57, is a resident of Scottsville, New York. During the relevant time, Normann held Series 7, 25, and 63 securities licenses and was associated with a proprietary trading firm that was registered with the Commission as a broker-dealer. Normann carried out his manipulative trading scheme in that firm’s brokerage accounts, and he received a portion of net profits he generated in those accounts pursuant to his agreement with the firm. Prior to his association with this firm, Normann had been a registered representative associated with other registered broker-dealers.

### **Background**

9. Market participants who seek to participate in the NYSE’s closing auction can use various order types, including Market-On-Close (“MOC”), Limit-on-Close (“LOC”), and Closing D Orders. An MOC Order is an unpriced order to buy or sell a security at the closing price, and it is guaranteed to receive an execution in the closing auction. An LOC Order sets the maximum price an investor is willing to pay, or the minimum price for which an investor is willing to sell, in the closing auction, and it is guaranteed an execution if it is priced better than the final closing auction price. Unlike MOC and LOC orders, Closing D Orders are placed by market participants only through NYSE floor brokers, and are limit orders with an instruction to exercise specified price discretion in the NYSE closing auction.

10. The NYSE closing auction commences shortly after 4:00 p.m., at the end of regular trading hours. Beginning at 3:50 p.m., market participants can no longer enter, modify, or cancel MOC or LOC Orders. Also beginning at 3:50 p.m., NYSE starts publicly disseminating to market participants closing auction order imbalance information, which provides updated imbalance information and indicative closing prices. Market participants rely on this imbalance information to inform their trading during the last ten minutes of trading. The imbalance information is updated regularly until the beginning of the closing auction.

11. Starting at 3:55 p.m., Closing D Orders are included in the published imbalance information. Market participants may enter, modify, or cancel Closing D Orders until 3:59:50, ten seconds before the close of trading and the commencement of the closing auction.

12. On at least 700 occasions during the relevant time, Normann engaged in manipulative trading in the minutes leading up to the NYSE closing auction. His scheme involved

placing and then, in the last seconds of the trading day, canceling non-bona fide Closing D Orders – that is, Closing D Orders that Normann did not intend to execute but only placed to create a false appearance of increased supply or demand in the relevant securities and thus to artificially depress or inflate their prices. To benefit from the false supply or demand information he had injected into the market, Normann would typically, during the last minute of the trading day, while his non-bona fide Closing D Order was pending and included in published imbalance information, establish a position on the opposite side of the market to his non-bona fide Closing D Order. He would then cancel his non-bona fide Closing D Order within seconds of the close, removing the false supply or demand information from the market, and then close out his just-established position in the closing auction using an MOC Order, in the vast majority of instances at a profit.

13. In connection with this manipulative trading, Normann, trading on behalf of the proprietary trading firm with which he was associated, utilized the services of a registered broker-dealer that was a member of the NYSE and was engaged in the business of executing orders on behalf of its customers on the floor of the NYSE (the “Floor Broker”).

14. For example, in a scenario involving a non-bona fide Closing D Order to sell, the scheme would often proceed as follows. In the early afternoon, Normann would send the Floor Broker one order to buy 20,000 shares of a security and one order to sell 20,000 shares of that security (the “parent orders”). At Normann’s direction, the Floor Broker would then submit to the market, from the parent sell order, a MOC Order to sell 5,000 shares. The Floor Broker would send the remainder of the parent sell order as a Closing D Order to sell 15,000 shares. This Closing D Order was not immediately visible to other market participants, and it would affect the published closing auction order imbalance only starting at 3:55 p.m.

15. At 3:55 p.m., Normann’s Closing D Order to sell 15,000 shares would enter the closing auction order imbalance feed and increase the sell side of the imbalance visible to other market participants. Normann would thus inject into the market a false impression of increased selling interest in the security, putting downward pressure on the stock price and concealing the true supply and demand information from other market participants.

16. Starting at 3:59:00 p.m., at Normann’s direction, the Floor Broker would parcel out, from the 20,000 share parent buy order, multiple buy orders totaling 5,000 shares, to be executed in the continuous market while other market participants were receiving the false impression of increased selling interest for the security, due to Normann’s non-bona fide Closing D Order. During the next minute, these buy orders would execute, establishing a 5,000 share long position. The remaining 15,000 shares of the parent buy order would remain unexecuted.

17. Then, in the last seconds before Closing D Orders can be canceled, the Floor Broker, at Normann’s direction, would cancel Normann’s sell-side non-bona fide Closing D Order, removing its 15,000-share sell interest from the closing auction order imbalance. This cancellation would shift the imbalance information toward the buy side, creating an upward pressure on the stock price. Normann would then sell the 5,000 shares he had just acquired in the continuous market, through his previously placed MOC Order to sell 5,000 shares.

18. Normann also used this pattern with non-bona fide buy-side Closing D Orders, establishing short positions in the continuous market during the last minute of trading, while the non-bona fide buy-side Closing D Orders were creating an upward pressure on the stock price; and closing out those positions at a profit with buy-side MOC Orders, after the non-bona fide buy-side Closing D Orders were canceled.

19. Normann's scheme yielded profitable trades approximately 81 percent of the time.

20. Normann received at least \$94,891 in illicit profits from his manipulative trading.

### **Violations**

21. As a result of the conduct described above, Normann willfully violated Sections 17(a)(1) and 17(a)(3) of the Securities Act, and Section 10(b) of the Exchange Act and Rules 10b-5(a) and 10b-5(c) thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities; and Section 9(a)(2) of the Exchange Act, which prohibits effecting a series of transactions in any security creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.

### **Disgorgement**

22. The disgorgement and prejudgment interest ordered in paragraph IV.D is consistent with equitable principles, does not exceed Respondent's net profits from his violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.D shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

## **IV.**

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

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b)(6) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Normann cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Sections 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Normann be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Normann shall, within 14 days of the entry of this Order, pay disgorgement of \$94,891.00, prejudgment interest of \$15,447.37, and a civil money penalty in the amount of \$50,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

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 Conrad Neil Normann 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 Joseph G. Sansone, Chief, Market Abuse Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004-2616.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

**V.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary