

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60764 / October 1, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13443

In the Matter of

GLB TRADING, INC. and
ROBERT A. LECHMAN,

Respondents.

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

I.

On April 14, 2009, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15(b), and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against GLB Trading, Inc. and Robert A. Lechman (“Respondents”).

II.

In connection with the above-captioned proceedings, Respondents have each submitted an Offer of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b), and 21C of the Securities Exchange Act (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

Summary

These proceedings arise out of Respondents' aiding and abetting violations of the broker-dealer registration provisions of the federal securities laws. Respondents knowingly provided substantial assistance to Tuco Trading, LLC ("Tuco"), an unregistered day-trading firm. Tuco opened "master accounts" at Respondent GLB Trading, Inc. ("GLB Trading") in Tuco's name. Tuco then created a "sub-account" for each of its customers. Each Tuco customer then contributed funds to Tuco's master accounts and day-traded securities using the equity in those accounts. Even though Tuco effected its customers' securities transactions and received commissions on such trading, it was not registered as a broker-dealer in violation of Section 15(a) of the Exchange Act. Respondents knew of Tuco's activities and provided it with substantial assistance by allowing Tuco to operate through GLB Trading, helping Tuco solicit new customers, structuring Tuco's operations, and loaning funds so that Tuco could meet day-trading calls in its master accounts.

Respondents

1. GLB Trading, Inc. ("GLB Trading") has been registered with the Commission as a broker-dealer (File No. 008-65790) since 2003. GLB Trading was headquartered in Irvine, California until December 2008, when the firm moved to Chicago, Illinois.

2. Robert A. Lechman ("Lechman") founded GLB Trading and was its president, CEO, chief compliance officer, and branch manager of the firm's Irvine, California office from December 2002 until his retirement in December 2008. Lechman continues to own GLB Trading through his family trust. Lechman, 58 years old, is a resident of Carlsbad, California.

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Relevant Entities and Persons

3. Tuco Trading, LLC (“Tuco”) was a Nevada limited liability company that provided day-trading capabilities to its customers. It was not registered with the Commission in any capacity. In March 2008, Tuco by consent was permanently enjoined from future antifraud and broker-dealer registration violations and ordered to pay disgorgement with prejudgment interest and a civil penalty in amounts to be determined. *SEC v. Tuco Trading, LLC, et al.*, Civil Case No. CV-08-400-DMS (S.D. Cal.) (Mar. 17, 2008). Tuco maintained three accounts at GLB Trading.

4. Douglas G. Frederick (“Frederick”) formed Tuco in August 2006 and was its sole managing member. On March 18, 2008, Frederick by consent was permanently enjoined from future antifraud and broker-dealer registration violations and ordered to pay disgorgement with prejudgment interest and a civil penalty in amounts to be determined. *SEC v. Tuco Trading, LLC, et al.*, Civil Case No. CV-08-400-DMS (S.D. Cal.) (Mar. 17, 2008). Frederick was barred in a follow-on administrative proceeding from future association with any broker or dealer. *In re Frederick*, Rel. No. 34-58751 (Oct. 8, 2008). Frederick, age 38, resides in San Diego, California.

Facts

5. In early 2006, Frederick approached GLB Trading seeking to obtain better clearing rates for a day-trading firm, the “predecessor firm” to Tuco, than he had at another broker-dealer. Lechman knew of the predecessor firm and that it engaged in day-trading. Lechman encouraged Frederick to join GLB Trading as a broker and offered to let Frederick operate his day-trading firm from GLB Trading’s offices rent-free. In April 2006, Frederick became a registered representative of GLB Trading and opened an account in the name of Tuco’s predecessor to continue his day-trading firm activities.

6. Also in July 2006, Frederick completed three outside activity forms that Frederick, as a registered representative, was required to submit to GLB Trading and FINRA. In those forms, Frederick disclosed, among other things, that: (1) he headed the predecessor firm and that it engaged in the business of “trading” that “traders trade in;” (2) he spent thirty hours per week working for that firm; (3) the firm had been operating since January 2006; (4) the firm facilitated clearing and provided trading software for its traders; (5) he received commissions from the traders as compensation; and (6) in August 2006, the firm would change its name to Tuco. Lechman read and reviewed each of Frederick’s outside activity forms at or near the time they were created, and was familiar with Frederick’s statements contained therein. In addition, GLB Trading provided clearance to Frederick to engage in those outside business activities.

7. In August 2006, Frederick opened three “master” accounts in Tuco’s name at GLB Trading and was the registered representative for each account. Customers of the predecessor firm then became customers of Tuco.

8. Tuco described itself on its website as a “private equity trading firm” that provided “trading solutions for the active trader.” To trade through Tuco, a customer had to contribute funds to Tuco and sign an operating agreement, which, among other things, deemed the customer to be a member of Tuco. Tuco pooled customer funds into the “master accounts” and used its own back office system to create “sub-accounts” within the master accounts for each customer to day-trade securities. Tuco provided customers access to software to place and route securities trades.

9. By February 2008, Tuco was providing day-trading capabilities to 259 customers who conducted substantial amounts of trading, including those of public companies. Frederick controlled Tuco and determined how much of Tuco’s equity, or buying power, each customer could use to trade. Tuco charged its customers commissions on their securities trades and deducted the commission for each trade from the customer’s sub-account. The commissions were collected at GLB Trading’s clearing firm. The clearing firm and GLB Trading then subtracted certain expenses from the commissions. GLB Trading received from Frederick a monthly fee of \$15,000. Respondents received about \$210,000 in fees from Tuco’s broker-dealer activities. GLB Trading paid the net commission amount to Frederick.

10. From 2006 to March 2008, Respondents knowingly and actively participated in and facilitated Tuco’s broker-dealer activities. Respondents allowed Tuco to trade through GLB Trading. Respondents also helped Tuco solicit new customers in person and by preparing advertisements with Frederick seeking new customers for Tuco. Additionally, Respondents created a structure by which GLB Trading and Frederick would operate Tuco. Furthermore, Lechman loaned Tuco funds to meet day-trading calls in Tuco’s master accounts sixteen times. The loan amounts ranged from \$100,000 to \$780,000, and Lechman charged interest each time for a total of \$6,507.

11. GLB Trading and Lechman helped Tuco solicit new customers by arranging for spam e-mails to promote Tuco, posting ads on day-trading websites, and making “pitches” to potential new customers. In August 2006, just two weeks after Frederick opened the master accounts, Lechman suggested that Tuco send a spam e-mail ad to solicit new customers. He also reviewed the ad.

12. In September 2006, Lechman suggested that another spam e-mail be sent for “GLB/Tuco,” which Lechman again reviewed. The ad, without identifying GLB Trading or Tuco, stated that they were looking for new traders, that the positions were not salaried, that traders would have to make an initial contribution to their account, and that the firm offered top flight software at competitive rates. The ads closely tracked the statements on Tuco’s website and described many features offered by Tuco but not GLB Trading. Lechman sent the responses GLB Trading received to Frederick, but if Frederick was unavailable, Lechman would solicit the potential new Tuco customers himself.

13. On or about September 27, 2006, Lechman informed Frederick about the solicitation efforts and predicted that, in 2007, Tuco would be bigger than another established day-trading firm.

14. Lechman created a structure and allocation of responsibilities by which GLB Trading and Frederick would operate Tuco. On or about October 1, 2006, Lechman informed Frederick of a proposal for Tuco's organizational structure, stating that he no longer wanted to "pitch" potential new Tuco customers. He proposed that going forward Frederick would take charge of all of Tuco's sales, marketing, and advertising and set the commission rates for Tuco's customers. Lechman offered to handle the accounting and issues with GLB Trading's clearing broker. He further stated that GLB Trading's operations principal would handle credit and margin issues. Frederick replied that he looked forward to discussing Lechman's proposal further. Subsequently, Tuco's operations followed Lechman's model.

15. Lechman loaned Tuco funds to meet day-trading calls in Tuco's master accounts sixteen times. The loan amounts ranged from \$100,000 to \$780,000, and Lechman charged interest each time for a total of about \$6,507. Lechman loaned the funds through a limited liability company he controlled, which was also a Tuco customer. Lechman's loans to Tuco violated NASD Conduct Rule 2370, which prohibits associated persons, such as Lechman, from setting up borrowing or lending arrangements with a customer.

Violations

16. As a result of the conduct described above, Respondents willfully aided and abetted and caused Tuco's violations of Section 15(a) of the Exchange Act, which requires brokers and dealers who effect securities transactions through interstate commerce to be registered with the Commission.

IV.

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

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

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. GLB Trading is censured.

C. GLB Trading's registration with the Commission as a broker-dealer (File No. 008-65790) is revoked.

D. Lechman is barred from association with any broker or dealer, with the right to reapply for association after three (3) years from the date of the Order to the appropriate self-regulatory organization, or if there is none, to the Commission.

E. Lechman understands that by settling to a bar with the right to reapply as specified in the Commission's Order, Respondent will be able to make an application to reapply after the specified time period. This application, however, does not guarantee reentry. Rather, Respondent's application will be subject to the applicable law governing the reentry process and Respondent's reentry will be subject to the discretion of the Commission. An application made to a self-regulatory organization will be reviewed by the self-regulatory organization and the Commission pursuant to Rule 19h-1 [17 C.F.R. 240.19h.1] and applicable rules of the self-regulatory organization. An application made directly to the Commission will be reviewed under the processes specified in Rule 193 of the Commission's Rules of Practice [17 C.F.R. 201.193], or as specified in the order in this proceeding. To the extent a state licensing authority may require reapplication for a state license, state law may apply.

F. Any reapplication for association by Lechman 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, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) 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 (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

G. Respondents shall, within 10 days of the entry of this Order, pay disgorgement of \$216,507.00 and prejudgment interest of \$ 4,163.00, for a total of \$220,670.00, to the Securities and Exchange Commission. GLB Trading and Robert Lechman shall be jointly and severally liable for the payment of this disgorgement amount. Respondents represent that prior to signing their Offers, the disgorgement amount of \$222,607.00 has been deposited into an attorney-client trust account, controlled by Clausen Miller, P.C., 10 South LaSalle Street, Chicago, Illinois, 60603-1098. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Robert Lechman as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Andrew Petillon, Associate Director, Division of Enforcement, Securities and Exchange Commission, 5670 Wilshire Blvd., 11th Floor, Los Angeles, CA 90036.

H. Lechman shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000.00 to the Securities and Exchange Commission. Lechman represents that prior to signing his Offer, the civil penalty amount of \$75,000.00 has been deposited into an attorney-client trust account, controlled by Clausen Miller, P.C., 10 South LaSalle Street, Chicago, Illinois, 60603-1098. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and

Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Robert A. Lechman as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Andrew Petillon, Associate Director, Division of Enforcement, Securities and Exchange Commission, 5670 Wilshire Blvd., 11th Floor, Los Angeles, CA 90036.

By the Commission.

Elizabeth M. Murphy
Secretary