

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 34-70414 / September 16, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15495**

**In the Matter of**

**G-2 Trading LLC,**

**Respondent.**

**CORRECTED ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND NOTICE OF HEARING**

**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 G-2 Trading LLC (“G-2” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**Summary**

1. These proceedings arise out of willful violations of Rule 105 of Regulation M of the Exchange Act by G-2, a registered broker-dealer. Rule 105 prohibits buying an equity security that is the subject of an offering, conducted on a firm commitment basis, from an underwriter or broker or dealer participating in the offering after having sold short the same security during the restricted period as defined therein.

2. On three occasions, from November 2009 through August 2012, G-2 bought offered shares from an underwriter or broker or dealer participating in a follow-on public offering

after having sold short the same security during the restricted period. These violations collectively resulted in profits of \$13,248.

### **Respondent**

3. G-2 is a Delaware limited liability company and a registered broker-dealer based in New York, New York.

### **Legal Framework**

4. Rule 105 makes it unlawful for a person to purchase equity securities from an underwriter, broker, or dealer participating in a public offering if that person sold short the security that is the subject of the offering during the restricted period defined in the rule, absent an exception. 17 C.F.R. § 242.105; see Short Selling in Connection with a Public Offering, Rel. No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 2007). The Rule 105 restricted period is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Exchange Act Form 1-A or Form 1-E and ending with pricing.

5. The Commission adopted Rule 105 “to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity.” Id. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller’s intent in effecting the short sale. Id.

### **G-2’s Willful Violations of Rule 105 of Regulation M**

6. On August 3, 2012, G-2 sold short 10,000 shares of American International Group, Inc. (“AIG”) during the restricted period at a price of \$30.8421 per share. On August 3, 2012, AIG announced the pricing of a follow-on offering of its common stock at \$30.50 per share. G-2 received an allocation of 1,600 shares in that offering. The difference between G-2’s proceeds from the restricted period short sales of AIG shares and the price paid for the 1,600 shares received in the offering was \$560. Thus, G-2’s participation in the AIG offering resulted in total profits of \$560.

7. On February 24 and February 25, 2010, G-2 sold short a total of 6,000 shares of Seabridge Gold, Inc. (“SA”) during the restricted period at an average price of \$22.6664 per share. On February 25, 2010, SA announced the pricing of a follow-on offering of its common stock at \$22.90 per share. G-2 received an allocation of 10,000 shares in that offering. The offering price exceeded the prices at which the firm had sold short. By purchasing the offered shares despite having shorted the stock during the restricted period, G-2 improperly obtained a discount from the stock’s market price and avoided losses of \$7,074. G-2 also improperly obtained a benefit of \$4,716 by purchasing the remaining 4,000 shares in the offering at a discount from SA’s market price. Thus, G-2’s participation in the SA offering resulted in total profits of \$11,790.

8. On November 6, 2009, G-2 sold short 3,000 shares of Standard Parking Corp. (“STAN”) during the restricted period at an average price of \$16.8983 per share. On November 9, 2009, STAN announced the pricing of a follow-on offering of its common stock at \$16 per share. G-2 received an allocation of 1,000 shares in that offering. The difference between G-2’s proceeds from the restricted period short sales of STAN shares and the price paid for the 1,000 shares received in the offering was \$898. Thus, G-2’s participation in the STAN offering resulted in profits of \$898.

9. In total, G-2’s violations of Rule 105 resulted in profits of \$13,248.

### **Violations**

10. As a result of the conduct described above, G-2 willfully violated Rule 105 of Regulation M under the Exchange Act.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Rule 105 of Regulation M, whether Respondent should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondent should be ordered to pay disgorgement pursuant to 21B(e) and 21C(e) of the Exchange Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy  
Secretary