

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72231 / May 22, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15495

In the Matter of

G-2 TRADING LLC

Respondent.

**ORDER MAKING FINDINGS AND
IMPOSING CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934**

I.

On September 16, 2013, the Securities and Exchange Commission (“Commission”) issued a Corrected Order Instituting Administrative Proceedings and a Cease-and-Desist Order pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Notice of Hearing against G-2 Trading LLC (“G-2” or “Respondent”).

II.

In response to 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by G-2, a New York-based registered broker-dealer. Rule 105 prohibits selling short an equity security that is the subject of a public offering, conducted on a firm commitment basis, and purchasing the offered security from an underwriter or broker or dealer participating in the offering if such short sale was effected during the restricted period as defined herein.

2. On two occasions, from February 2010 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 \$841.

Respondent

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

Legal Framework

4. Rule 105 makes it unlawful for a person to purchase equity securities in a public offering from an underwriter, broker, or dealer participating in the offering if that person sold short the security that is the subject of the offering during the restricted period as 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 Form 1-A or Form 1-E and ending with the pricing. 17 C.F.R. § 242.105(a)(1) and (a)(2).

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." 72 Fed. Reg. 45094. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. Id.

¹ 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.

G-2's Violations of Rule 105 of Regulation M

6. On August 3, 2012, G-2 sold short 7,500 shares of American International Group, Inc. ("AIG") during the restricted period. 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 600 shares in that offering. G-2's participation in the AIG offering resulted in total profits of \$708.

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. 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. G-2's participation in the SA offering resulted in total profits of \$133.

8. In total, G-2's violations of Rule 105 resulted in profits of \$841.

Violations

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

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent G-2's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent G-2 cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M of the Exchange Act;

B. G-2 shall within fourteen (14) days of the entry of this Order, pay disgorgement of \$841, prejudgment interest of \$36.45, and a civil money penalty in the amount of \$75,000 (for a total of \$75,877.45) to the United States Treasury. If timely payment is not made on the disgorgement amount, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payments 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
- (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

² The minimum threshold for transmission of payment electronically is \$1,000,000. For amounts below the threshold, respondents must make payments pursuant to options (2) or (3) above.

- (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 G-2 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 Gerald W. Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

By the Commission.

Jill M. Peterson
Assistant Secretary