

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79175 / October 27, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17643

In the Matter of

**HENNING-CAREY
PROPRIETARY TRADING,
LLC,**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE AND
CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15C 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 15C and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Henning-Carey Proprietary Trading, LLC n/k/a HC Technologies, LLC (“HCPT” 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 it 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 15C and 21C of the Securities Exchange Act of 1934, 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 finds¹ that:

Summary

This matter involves violations of the government securities broker-dealer registration provisions. Between September 2009 through October 2011 (the "relevant period"), HCPT was engaged in the business of buying and selling U.S. Treasury securities (a type of government security) on a platform for U.S. treasuries trading ("Trading Platform") for its own account as a market maker, and received valuable incentives from Trading Platform's operators in exchange for its market making activities. Despite engaging in these activities, HCPT failed to register with the Commission as a government securities dealer. By this conduct, HCPT violated Section 15C(a) of the Exchange Act.

Respondent

1. HCPT, an Illinois limited liability company formed in 2007 and headquartered in Chicago, Illinois, is a proprietary trading firm. HCPT has never been registered with the Commission in any capacity. HCPT is a member of the Chicago Mercantile Exchange and the Chicago Board of Trade. On or about August 28, 2015, HCPT changed its name to HC Technologies, LLC.

Background

2. During the relevant period, HCPT was engaged in the business of buying and selling U.S. Treasury securities for its own account as a market maker on Trading Platform, and received valuable trading incentives in connection with its market making arrangements from Trading Platform's operators.

The Trading Platform

3. From September 2009 through July 2015, Trading Platform was a platform for U.S. treasuries trading.

4. At Trading Platform's request, HCPT acted as a market maker when Trading Platform was launched in September 2009.

HCPT's Activities On Trading Platform

5. As a Trading Platform market maker, HCPT routinely engaged in the business of buying and selling U.S. Treasury securities for its own account.

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.

6. Under its market making arrangements with the operators of Trading Platform, HCPT did not pay any fees to Trading Platform in connection with its market making trading on the platform. As part of its market making activities, HCPT routinely left two-sided resting orders on Trading Platform.

7. HCPT also received a loss allowance, generally in a range between \$5,000 and \$10,000 per day, for losses sustained from its market making on Trading Platform. HCPT was ultimately reimbursed at least \$2.3 million for a portion of the losses it incurred in connection with its market making on Trading Platform within the relevant period.

8. Additionally, HCPT was given a “Last Look” trading functionality on Trading Platform between July 2010 and October 2010. The “Last Look” functionality gave HCPT a short period of time in which to reject a trade that had been matched on Trading Platform. During this period, HCPT used Last Look to reject approximately 57 trades that were matched, each with a \$1 million face value, for a total combined notional value of \$57 million.

9. HCPT reduced its trading on Trading Platform between February 2011 and October 2011. HCPT’s trading on Trading Platform during the relevant period ceased on or about October 31, 2011.

Violations

10. As a result of the conduct described above, HCPT willfully violated Section 15C(a) of the Exchange Act, which makes it unlawful for a government securities broker or dealer to “effect any transaction in, or to induce or to attempt to induce the purchase or sale of, any government security” without being registered as, or associated with, a government securities broker or government securities dealer.²

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 15C and 21C of the Exchange Act, it is hereby ORDERED that:

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

B. Respondent is censured.

² A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

C. Respondent shall, within 15 days of the entry of this Order, pay a civil money penalty in the amount of \$110,000 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 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 HCPT 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:

Robert A. Cohen
Co-Chief, Market Abuse Unit
Division of Enforcement
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

D. 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, it shall not argue that it is entitled to, nor shall it 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 it 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.

By the Commission.

Brent J. Fields
Secretary