

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79248 / November 4, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-16017

In the Matter of	:	
	:	
LINKBROKERS DERIVATIVES LLC	:	ORDER APPROVING
	:	PLAN OF DISTRIBUTION
Respondent.	:	
	:	

On August 14, 2014 the 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, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”)¹ against Linkbrokers Derivatives LLC (“Linkbrokers” or “Respondent”). The Order found, among other things, that certain employees of Linkbrokers working at the firm’s “Cash Desk” perpetrated a scheme by charging certain firm customers false prices on over 36,000 transactions from at least 2005 through at least February 2009 (“Relevant Period”). In these transactions, Linkbrokers embedded hidden profits in the form of price markups or markdowns into the execution price reported to the customer. According to the Order, the scheme was devious and difficult for Linkbrokers’ customers to detect, in part because the employees at Linkbrokers selectively engaged in the scheme when the volatility in the market was sufficient to conceal the fraud from the customer. The Order found Linkbrokers willfully violated Section 15(c)(1) of the Securities Exchange Act of 1934, which prohibits fraudulent conduct by a broker or dealer when effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security. The Order required Respondent to pay disgorgement of \$14,000,000.

On December 11, 2015, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) 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 (“Nowak Order”)² against Aaron Nowak, a registered representative associated with Linkbrokers during the Relevant Period. Nowak worked as a sales trader and middle-office assistant entering orders he received from sales brokers on the Cash Desk. The Commission found that Nowak and other Linkbrokers personnel communicated false and/or misleading information to Linkbrokers customers in connection with the scheme. The Commission also found that Nowak willfully

¹ Exchange Act Rel. No. 72846 (Aug. 14, 2014).

² Securities Act Rel. No. 9988 (Dec. 11, 2015).

violated Sections 17(a)(2) and (3) of the Securities Act of 1933, which prohibits fraudulent conduct in the offer or sale of securities. The Nowak Order ordered Nowak to pay a civil penalty of \$5,000 and created a Fair Fund for the penalty. The Nowak Order further ordered that the Fair Fund created for Nowak's penalty be transferred to this administrative proceeding and combined with the funds collected in this matter.

On August 15, 2016, the Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment ("Notice")³ pursuant to Rule 1103 of the Commission's Rules on Fair Fund and Disgorgement Plans.⁴ The Notice advised interested persons that they could obtain a copy of the proposed plan of distribution ("Plan") from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm> or by submitting a written request to Michael S. Lim, Esq., United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876.

The Notice also advised that all persons desiring to comment on the Plan could submit their comments, in writing, no later than thirty (30) days from the date of the Notice (1) to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; (2) by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or (3) by sending an e-mail to rule-comments@sec.gov. The Commission received no comments on the Plan.

The Distribution Fund is comprised of the amounts of disgorgement (\$14,000,000) and civil penalties (\$5,000) paid by Linkbrokers and Nowak, respectively, to the Commission. As set forth in the Plan, the methodology allocates the Distribution Fund, less any reserve for taxes, fees or other expenses of administering the Distribution Fund ("Net Distribution Fund"), by dividing the total harm for each eligible customer's account by the aggregate total harm of all eligible customers' accounts multiplied by the Net Distribution Fund. An eligible customer account's distribution from the Net Distribution Fund will be adjusted by any money received from restitution funds in any related criminal proceeding.

The Division of Enforcement now requests that the Commission approve the Plan.

Accordingly, it is hereby ORDERED, that pursuant to Rule 1104 of the Commission's Rules on Fair Fund and Disgorgement Plans,⁵ the Plan is approved.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary

³ Exchange Act Rel. No. 78577 (Aug. 15, 2016).

⁴ 17 C.F.R. § 201.1103.

⁵ 17 C.F.R. § 201.1104.