

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83686 / July 23, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18610

<p>In the Matter of</p> <p>Sycamore Lane Partners LLC,</p> <p>Respondent.</p>
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ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Sycamore Lane Partners LLC (“Sycamore Lane” 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 Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing 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:

1. Sycamore Lane is a Delaware limited liability company and is headquartered in New York, New York. Sycamore Lane reported to the SEC as an exempt reporting adviser from October 18, 2013 to March 30, 2016. Sycamore Lane GP, LLC is the general partner of Sycamore

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.

Lane. Sycamore Lane is the investment manager to three funds: Sycamore Lane Fund, L.P., Sycamore Lane Master Fund, L.P. and Sycamore Lane Offshore Fund, Ltd. Sycamore Lane was an investment management firm that employed four people, including its two co-founders.

2. From at least November 2013 to February 2014, while Sycamore Lane's net aggregate positions in the American Depositary Receipts ("ADR") of Issuer A and common stock of Issuer B were each net flat (consisting of equal sized long and short positions) or net short, at the time that it submitted sell orders to its brokers for execution, Sycamore Lane misidentified short sales of these securities as long sales.

3. Rule 200(g) of Regulation SHO requires broker-dealers to mark orders in all equity securities "long" or "short," or "short exempt." *See* 17 C.F.R. §§ 242.200(g). The broker-dealer may mark the order "long" only if the seller (1) is deemed to own the security being sold pursuant to Rule 200(a) through (f), and (2) the broker-dealer either has possession or control of the security to be delivered or it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction. Rule 200(c) provides that a person shall be deemed to own a security only to the extent that he has a net long position in such security.

4. Under Regulation SHO Rule 200(g), Sycamore Lane's sales of Issuer A ADRs from November 1, 2013 to February 4, 2014, and Issuer B common stock from November 14, 2013 to January 28, 2014, should have been identified by Sycamore Lane to its brokers as short sales because, although Sycamore Lane's brokerage accounts showed long and short positions in the securities of Issuer A and Issuer B, Sycamore Lane's net aggregate position in each security was not net long.

5. From November 1, 2013 to February 4, 2014, Sycamore Lane sold short Issuer A ADRs in 30 trades, misidentifying each of these trades as long sales on trade orders to Sycamore Lane's brokers.

6. From November 14, 2013 to January 28, 2014, Sycamore Lane sold short Issuer B common stock in 12 trades, misidentifying each of these trades as long sales on trade orders to Sycamore Lane's brokers.

7. Based on information from Sycamore Lane, its brokers then mismarked these sell orders as long, not as short.

8. Regulation SHO Rule 203(b)(1) provides that a broker or dealer may not accept a short sale order in an equity security from another person or effect a short sale in any equity security for its own account unless the broker or dealer has borrowed the security, entered into a bona fide arrangement to borrow the security, or has "reasonable grounds" to believe the security can be borrowed so that it can be delivered on the delivery date. This is generally referred to as the "locate" requirement. Regulation SHO also requires the broker or dealer to document its compliance with the "locate" requirement. To document compliance with the obligations under Regulation SHO, brokers or dealers typically create and maintain a "locate log" that documents the basis for each locate provided.

9. When initiating its positions in each of the securities named above, Sycamore Lane properly obtained the required locates and then in a cross trade simultaneously sold short and bought long, creating a net flat position. Based on the long positions reflected in certain accounts at its prime brokers (albeit not an overall net long position in such securities across all of its accounts), Sycamore Lane identified its subsequent sales of the securities referenced above as long sales. However, for any such sales Sycamore Lane made while its net aggregate position in each security was not net long, those sales should have been identified in trade orders to its brokers as short sales.

10. Relying on Sycamore Lane's trade orders to sell long the securities of Issuer A and Issuer B, Sycamore Lane's brokers did not perform locates or document compliance with the locate requirement of Regulation SHO.

11. As a result of the conduct described above, Sycamore Lane caused its brokers to violate Regulation SHO Rule 200(g) [17 C.F.R. § 242.200(g)] which identifies the circumstances when a broker or dealer may mark a sell order "long" and Rule 203(b) [17 C.F.R. § 242.203(b)] which prohibits broker-dealers from accepting or effecting short sale orders in equity securities unless they satisfy the locate requirement and document compliance with the locate requirement of Regulation SHO. Scierter is not required to cause a violation of either of these rules.

12. In determining to accept Sycamore Lane's Offer, the Commission considered the cooperation Sycamore Lane afforded the Commission staff.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Sycamore Lane cease and desist from committing or causing any violations and any future violations of Rules 200(g) and 203(b) of Regulation SHO.

B. Respondent shall, within 14 days of the entry of this Order, pay disgorgement of \$100,429 and prejudgment interest of \$8,613, and civil money penalty of \$25,000, 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 of disgorgement, prejudgment interest, or civil money penalties is not made, additional interest shall accrue pursuant to pursuant to SEC Rule of Practice 600 and/or 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 Sycamore Lane as the 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 Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, FL 33131.

C. 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, Sycamore Lane 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, Sycamore Lane 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 Sycamore Lane 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