



Notice of Disciplinary Action against Husky Trading LLC, a Former Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

From: John C. Pickford, Enforcement Counsel, NASDAQ OMX PHLXSM

DATE: March 7, 2014

Enforcement No. 2012-14
FINRA No. 20100214122

On February 3, 2014, a Hearing Panel of the NASDAQ OMX PHLX LLC ("PHLX" or the "Exchange") issued a Summary Disposition as a result of FINRA's Department of Market Regulation's Motion for Entry of Default Decision ("Default Motion") against Husky Trading LLC ("Husky" or the "Firm"). The Default Motion was filed after Husky had failed to Answer a Statement of Charges issued by the Exchange's Business Conduct Committee or to request an extension of the time to file an Answer. The Statement of Charges alleged, among other things, that Husky had: (i) filed an inaccurate Financial and Operational Combined Uniform Single Report with the Exchange, in willful violation of Section 17 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 17a-3 and 17a-5 promulgated thereunder, and in violation of Exchange Rules 703, 707, and 760; (ii) failed to file Uniform Termination Notice for Securities Industry Registration filings for three associated persons and to register four other associated persons as Non-Registered Fingerprint ("NRF") persons in FINRA's Central Registration Depository database, in violation of Exchange Rules 604(b), 620(b), and 707; (iii) on 114 occasions effected options transactions that improperly traded through the Philadelphia Best Bid or Offer and/or the National Best Bid or Offer, and/or traded ahead of customer orders on the Exchange's Limit Order Book (the "Book") or the quotations of other market participants with priority, in violations of Exchange Rules 119, 120, 707, 1014, 1067, and 1084; (iv) failed to systematize 203 options orders in the Exchange's Floor Broker Management System ("FBMS") prior to representing the orders in a trading crowd, in violation of Exchange Rules 707 and 1063(e)(i); (v) created an inaccurate audit trail by entering inaccurate order volumes in FBMS for 25 options orders, in violation of Exchange Rules 707 and 1063(e)(i); and (vi) failed to supervise its order handling activities and to establish, maintain and enforce reasonable written supervisory procedures ("WSPs") to detect and prevent violations of the Exchanges order priority rules, in violation of Exchange Rules 707 and 748(g).

Previously, on October 24, 2013, after Market Regulation had properly served Husky with the Default Motion and Husky had thereafter failed to respond to the motion or otherwise participate in the proceeding, the Hearing Panel issued an Order, finding Husky in default and to have waived its right to provide a defense at a hearing. However, in order to assist the Hearing Panel in issuing a decision on the Default Motion, the Hearing Panel requested that Market Regulation make a brief evidentiary presentation in support of a *prima facie* case against Husky.

The Hearing Panel's Summary Disposition, issued after Market Regulation had made the requested evidentiary presentation to the Hearing Panel on January 15, 2014, found that Husky had admitted the allegations contained in the Statement of Charges in accordance with Exchange Rule 960.4 and had thereby violated Section 17 of the Exchange Act, Rules 17a-3 and 17a-5 promulgated under the Exchange Act, and Exchange Rules 119, 120, 604(b), 620(b), 703, 707, 748(g), 760, 1014, 1063(e)(i), 1067, and 1084, and imposed sanctions of a censure and a \$397,500 fine against the Firm. The fine was allocated as follows:

- \$317,000, or \$1,000 per violation, for 317 order handling violations (114 order priority violations and 203 systematization violations);
- \$12,500, or \$500 per violation, for 25 inaccurate audit trail violations;
- \$10,000 for inaccurate books and records violations;
- \$8,000 for the registration violations; and
- \$50,000 for inaccurate WSPs and the failure to supervise violations.

For more information, contact:

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