



Notice of Disciplinary Action Against Cutler Group, LP, Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

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

DATE: April 8, 2014

Enforcement No. 2014-02
FINRA Nos. 20110302026, 20120321194, 20130369180

On April 3, 2014, the Business Conduct Committee (the "Committee") of NASDAQ OMX PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Cutler Group, LP, a member organization of the Exchange. In response to a Statement of Charges issued in this action, Cutler submitted an Offer of Settlement, Stipulation of Facts and Consent to Sanctions. Solely to settle this proceeding, and without admitting or denying the charges, Cutler consented to findings that from June 2011 through June 2013, the firm violated Rules 15c3-5(b) and 15c3-5(c)(2) of the Securities Exchange Act of 1934, as well as PHLX Rule 748, by failing to establish and maintain adequate supervisory procedures, and a reasonable system of follow-up and review, designed to prevent and detect excessive message traffic and quotes in real time. For example, during one approximately four-month period, in more than 700 separate instances, the firm transmitted hundreds of thousands of quotes in a single option series within an hour.

The Committee found that Cutler had violated Exchange Act Rules 15c3-5(b) and 15c3-5(c)(2) and PHLX Rule 748. The Committee concurred in the sanctions consented to by the firm and ordered the imposition of sanctions comprising a censure and a fine of \$385,000, of which \$230,000 is payable to PHLX and \$155,000 is payable to NYSE Arca, Inc.

For more information, contact:

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