

**THE NASDAQ STOCK MARKET LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: OCTEG, LLC
John A. McCarthy
General Counsel
350 N. Orleans
3rd Floor South
Chicago, IL 60654**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")
c/o Financial Industry Regulatory Authority ("FINRA")
Department of Market Regulation
9509 Key West Avenue
Rockville, MD 20850**

DATE: March 8, 2012

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20100242271-01

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

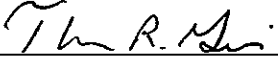
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the undertaking, the firm is required to submit certain reports to FINRA's Department of Market Regulation. The firm shall submit the reports to the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, with a copy to Gerard Finn at the same address.

You will be notified by the Registration and Disclosure Department regarding sanctions, and NASDAQ's Finance Department will send you an invoice regarding the payment of any fine.

OCTEG, LLC
Page 2

If you have any questions concerning this matter, please call Gerard P. Finn, Chief Counsel,
at 240-386-5073.



Thomas R. Gira
Executive Vice President
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 8 – Chicago
Carla A. Romano
Regional Director
55 West Monroe Street
Suite 2700
Chicago, IL 60603-5052

Giovanni P. Prezioso, Esq.
Cleary Gottlieb Steen & Hamilton LLP
2000 Pennsylvania Avenue, NW
Washington, D.C. 20006

Edward S. Knight, Chief Regulatory Officer
The NASDAQ Stock Market LLC
9600 Blackwell Road
Rockville, MD 20850

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100242271-01

TO: The NASDAQ Stock Market LLC
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: OCTEG, LLC, Respondent
Broker-Dealer
CRD No. 117429

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, OCTEG, LLC (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Nasdaq will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by Nasdaq:

BACKGROUND

The firm became a member of Nasdaq on July 28, 2006, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On June 29, 2010, Nasdaq accepted an AWC in which the firm was censured and fined \$10,000 for violations of Nasdaq Rules 2110 and 3010 in connection with its supervision regarding the prevention of clearly erroneous transactions. The firm also agreed to an undertaking to revise its written supervisory procedures.

SUMMARY

In connection with matter no. 20100242271, the Market Manipulation Investigation staff of FINRA's Department of Market Regulation (the "staff") reviewed the firm's trading, placement of orders, operational risk control systems, sufficiency of compliance and supervisory resources, and supervisory system and written supervisory procedures related to high frequency trading and algorithmic trading activity during the period May 7, 2010 through December 2011 (the "review period").

FACTS AND VIOLATIVE CONDUCT

During the review period, the firm failed to establish and maintain a reasonable supervisory system, including but not limited to its written supervisory procedures and supervisory and operational risk control systems related to the oversight and operation of high frequency trading and algorithmic trading. The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

- A censure;
- A fine of \$450,000; and
- An undertaking to retain, within sixty (60) days of acceptance of this AWC by FINRA's Department of Market Regulation ("Market Regulation") and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), on behalf of the Nasdaq Review Council, an independent consultant ("Consultant") with experience in designing and evaluating broker-dealer procedures and controls, who shall be not unacceptable to Market Regulation, (1) to review: (a) the firm's written supervisory procedures, and its supervisory and operational risk controls for the oversight and operation of algorithms used for the firm's market activities including, but not limited to, procedures and controls related to the creation, modification, usage, and testing of trading algorithms, and to the review and oversight of levels of message traffic and wash sales and other potentially improper trading activity; and (b) the sufficiency of compliance and supervisory resources dedicated to the fulfillment of the firm's obligations pursuant to such procedures and controls; and (2) to make recommendations, within ninety (90) days of being retained, regarding any revisions to such procedures and controls and resource requirements that the Consultant determines are: (a) necessary and reasonably designed to achieve compliance with the requirements of Nasdaq Rules 3010 and 3012; and (b) consistent with the maintenance of effective risk management and broker-dealer activity by the firm. The firm further undertakes to provide Market Regulation with a copy of the Consultant's report within seven days of receipt of the report from the Consultant and implement any

recommendation of the Consultant within the time frames specified in the Consultant's report, with no time frame to exceed 90 days unless Market Regulation otherwise approves a longer period to implement a recommendation, except to the extent that the firm provides the Consultant and Market Regulation with a written explanation that demonstrates why it believes a particular recommendation is unnecessary. If the Consultant does not accept as reasonable the firm's explanation as to its determination not to implement one or more recommendation, the firm will either: (1) implement the recommendation(s); or (2) propose an alternative reasonably designed to accomplish the same objectives of the recommendation(s). The Consultant shall then accept or reject the firm's alternative approach or agree to eliminate the recommendation(s). At a date not earlier than thirty (30) days following the firm's implementation of the Consultant's recommendations (or any alternative approach approved by the Consultant), and in no event later than sixty (60) days of such time, the firm shall provide Market Regulation with a detailed report that describes the steps the firm has taken to implement each recommendation, including the date of implementation, and certify in writing that the firm has implemented the recommendations.

In connection with the retention of the Consultant, the firm agrees it will not be in, and shall not have, an attorney-client relationship with the Consultant, and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Consultant from transmitting any information, reports or documents to Market Regulation. The firm also agrees that it shall require the Consultant to agree not to withhold from Market Regulation any information, reports or documents on the basis of the attorney-client or any other doctrine or privilege.

The firm shall require the Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with the firm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of Market Regulation, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the firm or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Nasdaq will send the firm an invoice for the full amount of the monetary sanction.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter. The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Nasdaq Rule 9143 or the separation of functions prohibitions of Nasdaq Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the ODA, pursuant to Nasdaq Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. Nasdaq may make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq or its staff.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

Date March 2, 2012
GPN

Respondent

OCTEG, LLC

By: _____

Name: Walter A. McCarthy

Title: General Counsel

Reviewed by: _____

Giovanni P. Prezioso
Giovanni P. Prezioso
Cleary Gottlieb Steen & Hamilton LLP
2000 Pennsylvania Avenue, NW
Washington, DC 20006

Accepted by Nasdaq

3/8/12
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation
Signed on behalf of Nasdaq, by delegated
authority from the Director of ODA