



## Notice of Disciplinary Action against PTR, Inc., a Member Organization

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**To:** Members, Member Organizations, Participants and Participant Organizations

**From:** John C. Pickford, Enforcement Counsel, NASDAQ OMX PHLX<sup>SM</sup>

**DATE:** July 1, 2015

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**FINRA Matter Nos. 20130355444 et al.  
Enforcement Nos. 2014-15 and 2015-05**

On July 1, 2015, the Business Conduct Committee (the "Committee") issued a disciplinary decision against PTR, Inc. ("PTR" or the "Firm"), a member organization of the NASDAQ OMX PHLX LLC ("PHLX" or the "Exchange"). In response to Statements of Charges issued in this action, PTR submitted an Offer of Settlement, Stipulation of Facts and Consent to Sanctions ("Offer"). Solely to settle these proceedings, and without admitting or denying the charges, PTR consented to findings that during the period between January 2013 and December 2013 (the "Review Period"), PTR had committed violations of Exchange Rules 119, 120, 611, 612, 613, 640(a)(2), 707, 748(h), 760, 1014, 1024, 1025, and 1067.

Specifically, PTR consented to findings that during the Review Period, it had: (i) executed 12 options transactions that traded through the Exchange's Best Bid and Offer and one options transaction that traded ahead of a customer order on the Exchange's Limit Order Book; (ii) failed to properly register: (a) an individual as a Proprietary Trader Principal with the Exchange who maintained a similar registration with the Chicago Board Options Exchange, Inc. ("CBOE"); (b) two individuals with NYSE MKT, LLC as General Securities Representatives who maintained similar registrations with the Exchange; and (c) four individuals with the Exchange as Proprietary Traders who maintained similar registrations with CBOE; (iii) permitted one of its officers to function as a Principal without properly registering and qualifying him as a Principal, or otherwise obtaining a waiver of such registration or qualification from the Exchange; (iv) permitted a person who had failed to complete the Regulatory Element of its Continuing Education ("CE") Program, and had thereby become CE inactive, to continue to perform the duties of a registered person without obtaining from the Exchange an extension of the timeframe for the CE inactive person to complete the Regulatory Element of the Firm's CE Program; (v) and failed to retain copies of customer options agreements and Special Statement for Uncovered Options forms for several of its customers.

PTR also consented to findings that it had failed to: (i) secure, or could not provide evidence that it had obtained, written customer agreements from eight non-BD customers to manage their options accounts in accordance with applicable securities laws, including the rules of the Exchange; and (ii) provide, or could not provide evidence that it had provided, a copy of the Special Statement for Uncovered Option Writers notice explaining the risks associated with writing uncovered short options to six non-BD customers that had requested to conduct uncovered short options writing.

Finally, PTR consented to findings that it had committed various supervision-related violations: namely, that: (i) its written supervisory procedures (“WSPs”) did not sufficiently specify the nature of the annual review the Firm conducted of its business activities and those of its employees and provide for the reviewing and monitoring of its trading and business activities on a sufficiently frequent basis to ensure compliance with the Exchange’s order handling rules; (ii) it had failed to enforce and supervise compliance with its WSPs, which required: (a) the Firm to monitor for, and notify affected employees regarding, completion of the Regulatory Element of its CE Program, and (b) the registration of principals, Representatives, and other employees; and (iii) it had failed to establish, maintain and enforce WSPs to govern the maintenance of records related to its business with customers.

The Offer submitted by PTR was accepted by the Committee and was the basis of its Decision. The Committee found that PTR had violated Exchange Rules 119, 120, 611, 612, 613, 640(a)(2), 707, 748(h), 760, 1014, 1024, 1025, and 1067, and imposed the following sanctions: (i) a censure; and (ii) a fine in the amount of \$5,000.

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For more information, contact:

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