



## Notice, Pursuant to Exchange By-law 18-2, of Disciplinary Action Against Bedrock Trading, Ltd., Member Organization

---

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

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

**DATE:** December 29, 2010

---

### **NASDAQ OMX PHLX No. 10-22 Enforcement No. 2010-21**

On December 21, 2010, the Business Conduct Committee (the "Committee") issued a disciplinary decision against Bedrock Trading, Ltd. ("Bedrock" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Bedrock submitted an Offer of Settlement, Stipulation of Facts and Consent to Sanctions ("Offer"). Solely to settle this proceeding, and without admitting or denying the charges, Bedrock consented to findings that during the period June 1, 2008 and June 30, 2009 (the "Relevant Period"), it had violated Sections 15 and 17 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 15b3-1, 17a-3, 17a-3(a)(2), 17a-3(a)(19)(ii), 17a-5, and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 703, 748(g), 757, 760, and 761, by: (i) failing to keep accurate books and records; (ii) filing an inaccurate Financial and Operational Combined Uniform Single Report with the Exchange; (iii) failing to secure from, and maintain a written record, properly dated and executed by, one of its associated persons, reflecting such associated person's compensation agreement with Bedrock; (iv) failing to amend its Uniform Application for Broker-Dealer Registration to reflect the disciplinary decisions rendered against Bedrock in two previous PHLX Enforcement matters (PHLX No. 2008-06 on May 28, 2008 and PHLX No. 2009-24 on November 16, 2009), the violations charged, and the sanctions that had been imposed upon the Firm; (v) mismarking two orders to sell equity securities as "sell short" rather than "sell long;" (vi) failing to document, or otherwise ensure, that one of its employees had attended its 2009 annual anti-money laundering compliance training program; (vii) failing to maintain an accurate record of the monthly brokerage account statements of its employees, in that its master list of employee brokerage accounts had failed to reflect three brokerage accounts of an employee that had been held away from the Firm; (viii) failing to establish, maintain and enforce written supervisory procedures ("WSPs"), and a system for applying such procedures, that reasonably addressed compliance with the requirements of Regulation SHO promulgated under the Exchange Act regarding adoption of a written organizational plan; the strategies and objectives of, and the assignment of traders to, aggregation units, and determination of net positions within aggregation units; and (ix) failing to comply, and enforce compliance with, its own WSPs that required employees to complete an Annual Certification Form, disclosing, among other things, their outside business affiliations and activities and personal securities accounts, and to conduct a monthly review of its electronic communications. Specifically, Bedrock had failed to ensure that all employees

had completed the required Annual Certification Form, and to review all of its electronic communications on a monthly basis.

Bedrock's Offer was accepted by the Committee and was the basis of its Decision. The Committee found that Bedrock had violated Sections 15 and 17 of the Exchange Act, Rules 15b3-1, 17a-3, 17a-3(a)(2), 17a-3(a)(19)(ii), 17a-5, and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 703, 748(g), 757, 760, and 761, concurred in the sanctions consented to by it, and ordered the imposition of the following sanctions: (i) a censure; (ii) a \$12,500 fine; and (iii) an undertaking, within 60 days of the issuance of a Decision by the Committee, to:

- (a) revise its WSPs to address the deficiencies identified by the Exchange; and
- (b) submit to William Bunting, FINRA Market Regulation, 1900 Market Street, Second Floor, Philadelphia, PA 19103, a signed, dated letter, providing the following information:
  - (1) a reference to this matter;
  - (2) a representation that Bedrock has revised its WSPs to address the deficiencies identified by the Exchange;
  - (3) the date the revised WSPs were implemented; and
  - (4) a Corrective Action Statement detailing what specific actions Bedrock has taken to prevent future miscalculations of Respondent's haircut charges and accounts payable, and mismarking of its sell orders.

---

For more information, contact:

- John C. Pickford, Enforcement Counsel, NASDAQ OMX PHLX, at +1 215 496 5273