



**Notice of Disciplinary Action against HAP Trading, LLC,  
Member Organization, Saagar Kamal Gupta, former  
proprietary trader and associated person of HAP Trading, LLC,  
and Harsh A. Padia, Chief Executive Officer and Managing  
Member of HAP Trading, LLC**

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

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

**DATE:** May 12, 2013

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**Enforcement No. 2014-03  
FINRA No. 20100233913**

On April 3, 2014, the Business Conduct Committee (the "Committee") issued a disciplinary decision against HAP Trading, LLC ("HAP Trading"), a member organization of the Exchange, Saagar Kamal Gupta ("Gupta"), a former proprietary trader and associated person of HAP Trading, LLC, and Harsh A. Padia ("Padia"), HAP Trading's Chief Executive Officer and Managing Member. The decision was subsequently served upon respondents, through counsel, on May 12, 2014, in coordination with the issuance of similar decisions by the Chicago Board Options Exchange ("CBOE"), NYSE MKT LLC ("NYSE MKT"), and NYSE Arca, Inc. ("NYSE Arca"). In response to a Statement of Charges issued in this action, HAP Trading, Gupta, and Padia submitted Offers of Settlement, Stipulation of Facts and Consent to Sanctions ("Offers"). Solely to settle this proceeding, and without admitting or denying the charges, HAP Trading and Gupta consented to findings that during the period beginning on or about June 1, 2010 and continuing until on or about July 31, 2010, they violated Exchange Rules 707 and 782, in that HAP Trading, by and through Gupta, on multiple occasions and on multiple trade dates, engaged in cross-product manipulation whereby they effected purchases or sales of equity securities in HAP Trading's proprietary account to create a false, misleading, or artificial appearance in the price of the securities and options overlying those securities. These transactions triggered activity and price movement in the equity securities, which in turn impacted the price of the overlying equity options and enabled the Firm and Gupta to purchase or sell the overlying equity options at more favorable prices. HAP Trading and Gupta thereby obtained unlawful financial benefits of at least \$1,250,000.

Additionally, HAP Trading and Padia consented to findings that they violated Exchange Rules 707 and 748 by failing to adequately supervise the trading activity of Gupta to ensure compliance with Exchange Rule 782, in connection with the conduct described above.

The Committee found that HAP Trading and Gupta violated Exchange Rules 707 and 782, and that HAP Trading and Padia violated Exchange Rules 707 and 748. The Committee concurred in the sanctions consented to by them, and ordered the imposition of the

following sanctions: (i) a censure of each Respondent; (ii) a total fine of \$520,000, payable by HAP Trading, for violations of Exchange Rules 707 and 782, consisting of disgorgement of \$475,000<sup>1</sup> and a fine of \$45,000;<sup>2</sup> (iii) a fine of \$75,000,<sup>3</sup> payable by Gupta, for violations of Exchange Rules 707 and 782; (iv) a fine of \$30,000,<sup>4</sup> payable by HAP Trading and Padia jointly and severally, for violations of Exchange Rules 707 and 748; and (v) a three-month suspension of Gupta in all capacities from association with any member organization of the Exchange.

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For more information, contact:

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<sup>1</sup> The total disgorgement amount assessed against HAP Trading pursuant to its settlement agreements with Chicago Board Options Exchange, NYSE MKT LLC, NYSE Arca, Inc., and NASDAQ OMX PHLX, LLC is \$1,250,000.

<sup>2</sup> The total fine against HAP Trading for the trading violations pursuant to its settlement agreements with Chicago Board Options Exchange, NYSE MKT LLC, NYSE Arca, Inc., and NASDAQ OMX PHLX, LLC is \$150,000.

<sup>3</sup> The total fine against Gupta for the trading violations pursuant to his settlement agreements with Chicago Board Options Exchange, NYSE MKT LLC, NYSE Arca, Inc., and NASDAQ OMX PHLX, LLC is \$250,000.

<sup>4</sup> The total fine against HAP Trading and Padia for the supervision violations pursuant to their settlement agreements with Chicago Board Options Exchange, NYSE MKT LLC, NYSE Arca, Inc., and NASDAQ OMX PHLX, LLC is \$100,000.