



Notice, Pursuant to Exchange By-law 18-2, of Disciplinary Action Against Madison Proprietary Trading Group, LLC, Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

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

DATE: August 2, 2010

NASDAQ OMX PHLX No. 10-12 Enforcement No. 2010-09

On April 8, 2010, the Business Conduct Committee (the "Committee") issued a disciplinary decision against Madison Proprietary Trading Group, LLC ("Madison" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Madison 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, Madison consented to findings that 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-4, 17a-5, 17a-5(d), 17f-2 and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 600(b), 604(d), 623, 703, 712, 748, 760 and 761, by failing to: (i) keep accurate books and records; (ii) preserve written records of loan agreements with an affiliated entity and a record of various capital deposits and withdrawals; (iii) amend its Uniform Application for Broker-Dealer Registration to reflect the name of its clearing agent, the ownership interests of four individuals and an affiliated entity of the Firm, and the violations with which it had been charged and the sanctions that had been imposed against the Firm in Exchange disciplinary action, Enforcement No. 2008-05 (March 12, 2009); (iv) submit to FINRA for processing and identification the requisite fingerprint records of an employee and/or associated person; (v) utilize the Web CRD database to submit Uniform Application for Securities Industry Registration or Transfer filings for an employee and/or associated person who was a permit holder and member of the Exchange and for a non-registered fingerprint person; (vi) properly mark 58 options orders as "sell short" or "sell long"; (vii) document its review of a Covered Account on an employee's Insider Trading Securities Fraud Enforcement Act Accounts List that was held away from the Firm; (viii) exercise effective supervision and control of electronic communications generated by its branch offices by ensuring that such communications had been properly segregated from communications generated by an affiliated firm; and (ix) conduct an inspection of its foreign branch office on a biennial basis as mandated by its written supervisory procedures. Madison's Offer was accepted by the Committee and was the basis of its Decision.

The Committee found that Madison had violated Sections 15 and 17 of the Exchange Act, Rules 15b3-1, 17a-3, 17a-4, 17a-5, 17a-5(d), 17f-2 and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 600(b), 604(d), 623, 703, 712, 748, 760, and 761, concurred in the sanctions consented to by it, and ordered the

imposition of the following sanctions: (i) a censure; (ii) a fine in the amount of \$25,000; and (iii) the requirement that the Firm undertake to review its books and records for the period January 1, 2009 through December 31, 2009, file with the Exchange, as necessary, any amended reports necessitated by the review, and, within 90 days after the issuance of a Decision by the Committee, submit to FINRA a letter, which, among other things, represents that the Firm had concluded the required review of its books and records, states the date on which the review was completed, and provides a list of all reports, if any, that were filed with the Exchange as a result of the review and the date each such report was filed with the Exchange.

For more information, contact:

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