



Notice, Pursuant to Exchange By-Law 18-2, of Disciplinary Action Against Quad Capital, LLC, Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

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

DATE: December 29, 2011

FINRA Matter No. 20110288367 Enforcement No. 2011-09

On December 21, 2011, the Business Conduct Committee (the "Committee") issued a disciplinary decision against Quad Capital, LLC ("Quad" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Quad 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, Quad consented to findings that during the period between May 1, 2010 and July 31, 2010 (the "Relevant Period"), it had violated Section 17 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), Rules 17a-3, 17a-4(b)(7), and 17a-5 promulgated under the Exchange Act, and Exchange Rules 605, 703, 748(e)(1), 748(g), 757, 760, and 761 by, among other things: (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 preserve a written record to reflect its expense sharing arrangement with an affiliated entity; (iv) failing to obtain Exchange pre-approval for a press release it had published on the internet and a recruitment advertisement for proprietary traders it had published on its website; (v) failing to provide evidence that an associated person of the Firm had attended its 2010 annual compliance meeting; (vi) failing to: (a) ensure, or provide evidence that, an associated person of the Firm had attended the Firm's 2010 anti-money laundering ("AML") training program; and (b) conduct a timely independent review of its AML Program; and (vii) failing to maintain accurate records of, or properly dated, Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA") Accounts Lists and/or brokerage account disclosures for several associated persons of the Firm.

The Firm also consented, without admitting or denying the charges, to findings by the Committee that Quad had not adequately established, maintained and enforced written supervisory procedures ("WSPs"), and a system for applying such procedures, that resulted in supervisory deficiencies regarding: (i) the Firm's Joint Back Office arrangements with its clearing firm and the minimum equity and other requirements to which the Firm was required to adhere; (ii) the restriction on, and the requirement to provide the Commission and the Exchange with, written notification regarding the withdrawal of equity capital, advances, or loans; (iii) the requirement that financial reports, such as the Annual Audit and FOCUS Reports, and all requests for extensions to file such reports, be made through the WebFOCUS financial application; (iv) advertising requirements; (v) the requirement under Rule 17a-11(d) promulgated under the Exchange Act to notify the Commission whenever it fails to make and keep current books

and records; (vi) the documentation and verification of attendance, and retention of a roster of attendees, at the Firm's annual compliance meeting; (vii) the submission of the annual audit to SROs (PHLX) and the extensions of time to file the audit; and (viii) with respect to its AML Program, procedures regarding: (a) notification to the Exchange of changes in the Firm's business model; (b) amendments to its AML procedures; (c) the filing of Currency Transaction Reports; and (d) the transmission and/or re-transmittal of wire transfers.

Finally, the Firm also consented, without admitting or denying the charges, to findings by the Committee that it had failed to comply, or enforce compliance with, the requirements of its WSPs. Notably, Quad's WSPs required that the Firm prepare and maintain a memorandum or inspection report evidencing its inspection of its branch office located in Florida, including the participants in and date of such inspection. Quad had failed to do so.

Quad's Offer was accepted by the Committee and was the basis of its Decision. The Committee found that Quad had violated Section 17 of the Exchange Act, Rules 17a-3, 17a-4(b)(7), and 17a-5 promulgated under the Exchange Act, and Exchange Rules 605, 703, 748(e)(1), 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 \$8,500 fine; and
- (iii) an undertaking, within 60 days of the issuance of a Decision by the Committee, to:
 - (a) correct the deficiencies identified by FINRA's Risk Oversight and Operational Regulation Department ("ROOR") during the 2010 examination;
 - (b) revise its WSPs to address the deficiencies identified by ROOR; and
 - (c) submit to William Bunting, FINRA Financial Regulation Department, 1900 Market Street, Eighth Floor, Philadelphia, PA 19103, a signed, dated letter providing the following:
 - (1) a reference to this matter;
 - (2) a representation that Respondent has revised its WSPs to address the deficiencies identified by ROOR;
 - (3) the date the revised WSPs were implemented; and

(4) a Corrective Action Statement detailing what specific actions Respondent has taken to correct and prevent future recurrence of the deficiencies identified by ROOR during its examination of Respondent.

For more information, contact:

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