



Notice of Disciplinary Action Against Rosenbaum Capital, LLC, a Former Member Organization, and Jonathan D. Levene, a Former Associated Person of Rosenbaum

To: Members, Member Organizations, Participants and Participant Organizations

From: John C. Pickford, Assistant General Counsel, NASDAQ OMX PHLXSM

DATE: November 20, 2014

FINRA Matter No. 20100214209 Enforcement No. 2014-16

On November 19, 2014, the Business Conduct Committee (the "Committee") issued a disciplinary decision against Rosenbaum Capital, LLC ("Rosenbaum" or the "Firm"), a former member organization of the Exchange, and Jonathan D. Levene ("Levene"), the former compliance officer and principal of Rosenbaum. Levene was also responsible for the day-to-day trading operations and supervision of the Firm's trading. In response to a Statement of Charges issued in this action, Rosenbaum and Levene submitted an Offer of Settlement, Stipulation to Findings and Consent to Sanctions ("Offer"). Solely to settle this proceeding, and without admitting or denying the charges, Rosenbaum stipulated to findings that during the periods between January 2007 and December 2007 ("Review Period I") and January 2010 and March 2010 ("Review Period II") (collectively, the "Relevant Period"), Rosenbaum violated Rules 203(b)(1), 203(b)(3), and 204(a) of Regulation SHO promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Exchange Rule 707, by: (i) effecting short sales in numerous threshold securities without locating shares to borrow, instead improperly relying on the market maker exemption to the requirement under Regulation SHO; (ii) facilitating numerous pre-arranged, short-term options transactions paired with stock that permitted SACP, a former member organization of the Exchange, to circumvent the close-out provisions of Regulations SHO; and (iii) failing to timely close out fail-to-deliver positions in a threshold security that were allocated to SACP by its clearing firm. Levene also stipulated, without admitting or denying the charges, to findings that during the Relevant Period, he violated Exchange Rules 707 and 748(g) by failing to establish, maintain and enforce written supervisory procedures ("WSPs"), or a system of for applying such procedures, that was reasonably designed to detect and prevent the provisions of Regulation SHO set forth above.

The Offer submitted by Rosenbaum and Levene was accepted by the Committee and was the basis of its Decision. The Committee found that Rosenbaum had violated Rules 203(b)(1), 203(b)(3), and 204(a) of Regulation SHO promulgated under the Exchange Act and Exchange Rule 707, and that Levene had violated Exchange Rules 707 and 748(g), concurred in the sanctions consented to by them, and ordered the imposition of the following sanctions: (i) a permanent expulsion of Rosenbaum from Exchange membership; and (ii) a suspension in all capacities from association with any member organization of the Exchange for a period of 90 days against Levene.

For more information, contact:

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