



Notice, Pursuant to Exchange By-law 18-2, of Disciplinary Action Against PTR, Inc., Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

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

DATE: September 24, 2010

NASDAQ OMX PHLX No. 10-17 Enforcement No. 2010-14

On September 22, 2010, the Business Conduct Committee (the "Committee") issued a disciplinary decision against PTR, Inc. ("PTR" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, PTR 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, PTR consented to findings that during the periods between January 1, 2009 and November 30, 2009, and January 1, 2008 and October 31, 2008 (collectively, the "Relevant Period"), it had violated Section 17 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 17a-3, 17a-3(a)(2), 17a-3(a)(19)(ii), 17a-4(b)(3), 17a-4(b)(7), 17a-5, 17a-5(d) and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 600(b), 603, 604(a), 604(b), 620(b), 703, 705, 712, 746, 748(e)(1), 748(g), 757, 760, 761, 1024(a)(i), 1024(b)(i), 1024(b)(ii), 1024(b)(iv), 1024(c)(v), 1025, 1029, and 1070, by, among other things: (i) failing to keep accurate books and records; (ii) filing inaccurate Financial and Operational Combined Uniform Single and Financial Condition Reports with the Exchange; (iii) failing to utilize the Web CRD database to submit and/or amend Uniform Application for Securities Industry Registration or Transfer filings for employees and/or associated persons who were permit holders and members of the Exchange or who were dually employed by, and affiliated with, the Firm and an affiliated entity; (iv) failing to utilize the Web CRD database to amend the Uniform Termination Notice for Securities Industry Registration of an associated person; (v) failing to make, maintain and preserve written records to reflect its relationship and compensation arrangement with eight associated persons; (vi) failing to preserve a record of 31 invoices relating to its business; (vii) improperly marking 30 options orders as "sell long" rather than as "sell short;" (viii) failing to document that an associated person had attended the Firm's 2008 anti-money laundering ("AML") compliance training program, or to provide the training materials utilized in its 2009 annual compliance meeting and training sessions from which the Exchange could determine whether any such training had been conducted and the adequacy of any such training; and (ix) conducting business with numerous public customers, but failing to: (a) conduct, or provide evidence that it had conducted, an annual testing of its AML program in 2009; (b) request and obtain from public customers New Account forms that adequately required and captured certain information about the customers, their financial condition and investment objectives; (c) ensure that the public customers had been approved and/or confirmed by a qualified options principal for options trading; (d) provide the public customers with a Special Statement for Uncovered Options

Writers notice explaining the risks associated with writing uncovered short options; (e) deliver the requisite Options Disclosure Document to public customers; (f) file with the Exchange an Annual Audit within 60 calendar days of the end of its 2008 and 2009 fiscal years; and (g) carry fidelity bond coverage to cover potential losses resulting from misplacements, fraudulent trading and forgery, and various other public customer-related deficiencies.

The Firm also consented, without admitting or denying the charges, to findings by the Committee that during the Relevant Period, PTR had failed to establish, maintain and enforce written supervisory procedures ("WSPs"), and a system for applying such procedures, that resulted in numerous supervisory deficiencies, including, but not limited to, the failure to address: (i) real-time monitoring of the Firm's net capital to ensure that it did not fall below the minimum required level; (ii) the maintenance of appropriate barriers to monitor the flow of information between PTR's market making, proprietary trading and investment advisory operations and a risk management system to monitor its proprietary trading; (iii) the frequency of PTR's branch office inspections and the manner in which such inspections were to be conducted and supervised; (iv) the identity of the person(s) responsible for conducting a monthly review of the brokerage account statements of associated persons; (v) review and supervision of the trading activity of the Firm's dually affiliated employees to ensure compliance with applicable rules and regulations and PTR's WSPs; (vi) the requirement that PTR exercise due diligence to learn the essential facts relative to every customer, order and account; (vii) PTR's compliance with the requirements under Regulation SHO promulgated under the Exchange Act regarding the establishment of a written plan of organization, the strategies and objectives of, and the assignment of traders to, aggregation units, and the manner in which the net position in individual securities is determined within each of PTR's aggregation units; (viii) the circumstances under which the Firm's Uniform Application for Broker-Dealer Registration is amended and the period within which it must be amended; (ix) the prohibition against the use by PTR's personnel of squawk boxes, electronic mail, instant messages, video conferencing equipment and other electronic devices to eavesdrop on the trading and/or trading strategy of other broker-dealers, hedge funds, banking institutions, and investment advisors, and against the use of material, non-public information; and (x) the requirement that financial reports, such as the FOCUS Reports, and all requests for extensions to file such reports, be made through the WebFOCUS financial application.

PTR's Offer was accepted by the Committee and was the basis of its Decision.

The Committee found that PTR had violated Section 17 of the Exchange Act, Rules 17a-3, 17a-3(a)(2), 17a-3(a)(19)(ii), 17a-4(b)(3), 17a-4(b)(7), 17a-5, 17a-5(d) and Rule 200(g) of Regulation SHO promulgated under the Exchange Act, and Exchange Rules 600(b), 603, 604(a), 604(b), 620(b), 703, 705, 712, 746, 748(e)(1), 748(g), 757, 760, 761, 1024(a)(i), 1024(b)(i), 1024(b)(ii), 1024(b)(iv), 1024(c)(v), 1025, 1029, and 1070, 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 \$90,000.

For more information, contact:

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