



Notice of Disciplinary Action against PTR, Inc., a Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

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

DATE: September 27, 2016

Enforcement No. 2016-13
FINRA Matter No. 20140397242

On September 23, 2016, the Business Conduct Committee (the "Committee") issued a disciplinary decision against PTR, Inc. ("PTR" or the "Firm"), a member organization of the NASDAQ PHLX LLC ("PHLX" or 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 these proceedings, and without admitting or denying the charges, PTR consented to findings that during the period between September 1, 2014 and September 30, 2014 (the "Review Period"), PTR had committed violations of Section 17 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rules 17a-3, 17a-3(a)(19)(ii), and 17a-5 promulgated thereunder, and Exchange Rules 600, 616, 703, 707, 748(h), 757, 760, 1024 and 1025.

Specifically, PTR consented to findings that during the Review Period, it had failed to: (i) maintain books and records that accurately reflected its accounts payable, accrued expenses, non-allowable assets, and net capital computations, and filed a FOCUS report containing such inaccuracies with the Exchange; (ii) timely amend the Form U-4 filing of an employee to reflect her dual affiliation status with Respondent and an affiliated firm; (iii) maintain accurate records of its compensation agreements with certain of its associated persons; (iv) secure, or could not provide evidence that it had timely obtained, written customer agreements from nine non-broker-dealer customers to manage their options accounts in accordance with applicable securities laws, including the rules of the Exchange; and (v) retain, or could not provide evidence that it had retained, copies of the customer options agreements of several of its customers.

PTR also consented to findings that it had failed to implement, or otherwise adhere to, its AML compliance procedures requiring: (a) its employees to complete and return a form acknowledging that they had received, read and understood Respondent's AML compliance policies and procedures; and (ii) the Firm to check the names of newly-hired employees against a list of individuals, groups and entities maintained by the Office of Foreign Assets Control ("OFAC") in the U.S. Department of the Treasury to ensure that the Firm does not transact business with terrorists, narcotics traffickers and other prohibited persons.

Additionally, PTR consented to findings that it had failed to reasonably supervise and implement adequate controls, including a separate system of follow-up and review, reasonably designed to oversee and review: (i) the activities of its Financial and Operations

Principal ("FinOp"), including his preparation and filing of periodic reports with the Exchange and the Securities and Exchange Commission; and (ii) the activities of Respondent's personnel charged with: (a) updating the registration status of its associated persons; (b) reviewing the personal brokerage account statements of Respondent's employees; and (c) approving non-broker-dealer customer accounts.

Finally, the Firm consented to findings that it had failed to implement and otherwise adhere to its written supervisory procedures that governed: (i) the maintenance of records relating to its business with customers; and (ii) the dating of sample brokerage account statements evidencing its monthly review of such statements.

The Offer submitted by PTR 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)(19)(ii), and 17a-5 promulgated thereunder, and Exchange Rules 600, 616, 703, 707, 748(h), 757, 760, 1024, and 1025, and imposed the following sanctions: (i) a censure; (ii) a fine in the amount of \$50,000; and (iii) an undertaking by PTR, within 60 days of the issuance of a Decision by the Committee, to correct the supervisory and other deficiencies identified during the staff's examination of the Firm, and revise its WSPs to address such deficiencies. In arriving at these sanctions, consideration was given to the fact that the Firm, within the past several months, had restructured its regulatory compliance program, including through the replacement of all key, long-term compliance and financial reporting personnel.

For more information, contact:

- John C. Pickford, Assistant General Counsel, NASDAQ PHLX, at +1 215 496 5273.