

**Disciplinary Panel  
American Stock Exchange LLC**

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IN THE MATTER

OF

SG AMERICAS SECURITIES, LLC

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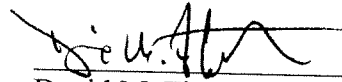
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: Case No. 06-82

: [AMXC08006]

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: Hearing Officer – DMF

**NOTICE OF DECISION**

Enclosed is a copy of the decision of the Disciplinary Panel in this disciplinary proceeding, dated March 19, 2008 (“Decision”). Under Article V, Section 2 of the Exchange Constitution, this Decision will become the final decision of the Exchange 10 days after service of the Decision upon you unless the Amex Adjudicatory Council calls the Decision for review. Pursuant to Exchange Disciplinary Rule 12, the Disciplinary Panel has decided that its Decision shall be publicized as provided therein. However, no publicity release shall be made until the Decision becomes final.



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David M. FitzGerald, Chair

Dated: March 19, 2008

Copies to: SG Americas Securities, LLC (*via overnight and first class mail*)  
John Driscoll (*via facsimile and first class mail*)  
Brian F. Sklar, Esq. (*electronically and via first class mail*)  
Joycelyn Thrower (*electronically and via first class mail*)

**Disciplinary Panel  
American Stock Exchange LLC**

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IN THE MATTER	:	Case No. 06-82
OF	:	[AMXC08006]
SG AMERICAS SECURITIES, LLC	:	Hearing Officer – DMF
	:	<b>DECISION</b>
	:	March 19, 2008

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Pursuant to Article V, Section 2 of the Exchange Constitution and Rules 2(a) and (b) of the Rules of Procedure Applicable to Exchange Disciplinary Proceedings, this proceeding came before the Hearing Officer for review of the attached Stipulation and Consent to Penalty (Stipulation), which was entered into by the Parties for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Respondent based upon or arising out of the facts set forth in the Stipulation. Respondent, without admitting or denying the facts, allegations and conclusions contained in the Stipulation, consented to the entry of findings of violations of Exchange Rules, and the imposition of penalties, as set forth in the Stipulation.

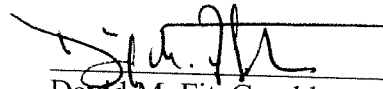
After considering the stipulated facts, as well as the analysis and authorities set forth in the Exchange’s Memorandum in Support of Proposed Settlement, the Hearing Officer hereby accepts the Stipulation, and accordingly finds that Respondent:

1. Violated Exchange Rule 153A by submitting inaccurate and incomplete Electronic Blue Sheet (EBS) trade information to the Exchange, and maintaining a deficient EBS reporting system; and

2. Violated Exchange Rule 31 by failing to provide the Exchange with requested information and documentation of the remedial actions it took to correct its EBS reporting deficiencies in a timely manner.

Further, upon consideration of all the relevant facts and circumstances set forth in the Stipulation and the analysis and precedents cited in the Exchange's Memorandum, the Hearing Officer concludes that the penalties agreed to by Respondent and the Exchange to address the violations are appropriate. Therefore, in accordance with the Stipulation, Respondent is censured and fined \$20,000.

**SO ORDERED.**

  
\_\_\_\_\_  
David M. FitzGerald  
Hearing Officer

Copies to: SG Americas Securities, LLC (*via overnight and first class mail*)  
John Driscoll (*via facsimile and first class mail*)  
Brian F. Sklar, Esq. (*electronically and via first class mail*)  
Joycelyn Thrower (*electronically and via first class mail*)

# **EXHIBIT A**

**Disciplinary Panel  
American Stock Exchange LLC**

<p style="text-align: center;">IN THE MATTER OF SG AMERICAS SECURITIES, LLC</p>	<p style="text-align: center;"><b>STIPULATION OF FACTS AND CONSENT TO PENALTY</b></p> <p style="text-align: center;">Case No.: 06-82</p>
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This proceeding was instituted by the American Stock Exchange LLC (the "Exchange" or "Amex") against SG Americas Securities, LLC ("SGAS" or the "Firm")(CRD # 128351), a Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with SGAS ("the Respondent") pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions brought by the Exchange against the Respondent based upon or arising out of the facts hereinafter stipulated. The Respondent, without admitting or denying the facts, allegations and conclusions contained in this Stipulation, hereby consents to the entry of findings of violations of the Exchange Constitution and Rules and the imposition of the penalties hereinafter provided. The Respondent understands that a hearing officer, without conducting a formal hearing, will determine whether the Respondent has committed the violations set forth herein and may fix and impose the agreed upon penalty or reject the Stipulation. This Stipulation can also be the subject of review by the Amex Adjudicatory Council ("AAC"). The Respondent understands and acknowledges that the hearing officer's acceptance of this Stipulation may not be

appealed by the parties, will become part of its disciplinary record and may be considered in any future proceeding brought by the Exchange.

### **STATEMENT OF FACTS**

- 1.0 During all relevant periods herein, SGAS was a Regular Member Organization of the Amex.
- 1.1 During all relevant periods herein, SGAS was subject to Exchange Rule 153A which requires member organizations to submit to the Exchange certain trade data elements in an automated format as prescribed by the Exchange.
- 1.2 During all relevant periods herein, SGAS was subject to Amex Rule 31 which requires that member organizations comply with any request by an authorized representative or committee of the Exchange to provide information within the time specified by the representative or committee of the Exchange.
- 2.0 This action stemmed from an investigation conducted by FINRA Market Regulation - Amex Division (the "Division") of SGAS's trading activity in ABC Corp. ("ABC")<sup>1</sup>. As part of the investigation, the Division requested an Electronic Blue Sheet ("EBS" or "blue sheet")<sup>2</sup> submission from SGAS on August 3, 2004. Specifically, the Division requested information for all accounts

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<sup>1</sup> A generic identifier will be used throughout the Stipulation.

<sup>2</sup> Blue sheets are generated by member organizations at the request of regulators in connection with investigations of questionable trading. The blue sheets provide, *inter alia*, information identifying the account holder for whom specific trades were executed, indicating whether the transaction was a buy or a sell and long or short. The receipt and review of blue sheets are an essential component of Exchange investigations into matters such as potential insider trading or market manipulation, and potential violations of Rule 105 of Regulation M, under the Securities Exchange Act of 1934, which prohibits the covering of a short sale with securities obtained in a public offering, if the short sale occurred within five days of the date when the offering was priced.

which bought, sold and/or sold short ABC in any marketplace on trade date July 27, 2004. The Division received SGAS' EBS submission on August 13, 2004.

- 2.1 The Firm's blue sheet submission for trade date July 27, 2004, included buy transactions for 160,000 shares of ABC at \$3.38 and 133,731 shares at \$3.37 for an account titled XYZ.<sup>3</sup> A review of this information revealed that these transactions were not reported or subsequently reflected on the Exchange's Consolidated Audit Trail Report ("CAUD"). Additionally, the Firm's blue sheet submission did not list individual transactions that took place in ABC on July 27, 2004.
- 2.2 In an October 13, 2004, email from SGAS, the Firm informed the Division that the transactions for the XYZ account were transfers between two internal accounts and not transactions that took place on a stock exchange.
- 2.3 In a November 3, 2004, email from SGAS, the firm informed the Division that the EBS submission reflected trades on an aggregated basis with weighted average pricing, rather than on an individual basis.
- 2.4 On May 11, 2005, the Division issued a warning letter to SGAS informing the Firm that it violated Exchange Rule 153A by submitting a blue sheet that: (i) improperly reflected internal journals that were not transactions that took place on a stock exchange; and (ii) failed to list individual transactions that were effected in ABC on July 27, 2004. As part of the warning letter, the Division requested that SGAS provide documentation of the steps the Firm had taken to ensure that it was in compliance with Exchange Rule 153A.
- 2.5 In a letter dated June 3, 2005, SGAS replied to the Division's warning letter by indicating that it was working to revise the manner in which EBS data was collected

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<sup>3</sup> A generic identifier is being used throughout to make reference to SGAS' account.

and reported. The Firm indicated that it utilized an external vendor to compile its blue sheets but may develop processes for internalizing the Firm' EBS data collection and reporting. The Firm stated that it would report back to the Division when it completed the revised EBS reporting process.

- 2.6 The Division responded to SGAS in a June 9, 2005, letter, indicating that the Firm's prompt attention to correct the EBS deficiency was necessary. The Division granted SGAS until July 22, 2005, to complete the corrective action necessary to submit accurate information through the EBS process.
- 2.7 In a July 25, 2005, letter, following a July 22, 2005, telephone conversation between SGAS and the Division, SGAS informed the Division that, due to certain technical challenges, it required additional time to complete its corrective action. SGAS informed the Division that it planned on completing the corrective action by September 9, 2005. The Division approved this extension request.
- 2.8 In a letter dated September 13, 2005, following an August 31, 2005, telephone conversation between SGAS and the Division, SGAS informed the Division that it was still facing technical challenges and was not able to complete its corrective action by the scheduled time. SGAS indicated that it would provide the Division with periodic updates on its progress.
- 2.9 On October 28, 2005, SGAS disclosed to the Division that it had still not completed the corrections to its EBS process, and again stated that it would continue to keep the Division updated of its progress. SGAS had informed the Division that it was internalizing its EBS reporting systems and that it was developing internal systems to do so.

- 2.10 Approximately thirteen months later, the Division sent a letter dated November 21, 2006, informing SGAS that it had not received further information regarding the Firm's remediation of its EBS reporting problems, and the Division requested that the Firm provide such information within ten business days of receipt of the letter.
- 2.11 SGAS responded on December 13, 2006, by advising the Division that it had in fact completed corrections to its EBS reporting system on September 25, 2006. SGAS had not previously advised the Division that it completed the EBS corrections.
- 2.12 In a letter to the Division dated February 13, 2007, the Firm self-reported that it detected errors in its new EBS reporting system whereby internal journal transfers involving Exchange Traded Fund ("ETF") creations/redemptions were reported on its blue sheets through December 31, 2006. The Firm stated that it had since corrected such errors.
- 2.13 SGAS indicated that it reported internal journal transfers, not including ETF creations/redemptions, on its blue sheet submissions as early as October 1998 and had been reporting internal journal transfers involving ETF creations/redemptions since March 2003. SGAS reported that regulators made approximately 4,097 blue sheet requests during the time period of January 1, 1999 through December 31, 2006. The Firm was unable to identify the number of EBS submissions that included internal journal transfer entries.
- 2.14 Additionally, in the February 13, 2007, letter, SGAS indicated that it had been reporting trades on an aggregated basis from December 2002 through September 25, 2006. During this time period, regulators made 2,146 blue sheet requests. The

Firm was unable to identify the number of EBS submissions that included aggregated trades.

**CONCLUSION:**

By reason of the foregoing Stipulated Facts, a Hearing Officer may conclude that:

- 3.0 SGAS violated Exchange Rule 153A by submitting inaccurate and incomplete EBS trade information to the Amex, and maintaining a deficient EBS reporting system, as set forth in paragraphs 2.0 through 2.14.
- 3.1 SGAS violated Exchange Rule 31 by failing to provide the Exchange with requested information and documentation of the remedial actions it took to correct its EBS reporting deficiencies in a timely manner, as set forth in paragraphs 2.4 through 2.14.

**DISCIPLINARY ACTION:**

By reason of the foregoing Stipulated Facts and violations, a Hearing Officer may impose the following penalties against the Respondent:

- (a) a censure; and
- (b) a fine in the amount of \$20,000.

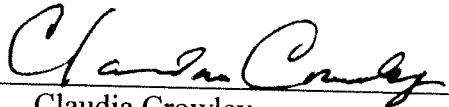

The Respondent hereby acknowledges that it has read carefully this Stipulation and understands all of the provisions contained herein; that it has agreed to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to the Respondent by the Exchange, its staff or representatives to induce the Respondent to enter into this Stipulation, aside from the prospect of settling this disciplinary proceeding based on the terms and conditions set forth in this Stipulation rather than adjudicating this matter by way of a hearing on a Charge Memorandum as provided by Exchange rules.

Further, the Respondent hereby agrees that it may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this Stipulation or create the impression that the Stipulation is without factual basis. Nothing in this provision affects the Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

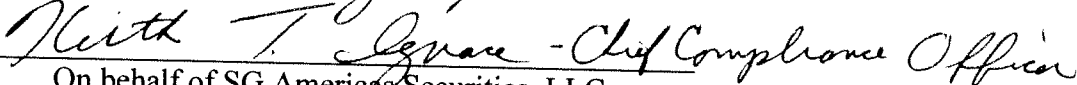
Further, the Respondent understands and agrees that the Exchange may make a public announcement concerning this Stipulation and the subject matter thereof in a manner consistent with those specified in Rule 12 of the Rules and Procedures Applicable to Exchange Disciplinary Proceedings.

Finally, it is understood and agreed that in any written submission to or proceeding before any person reviewing and/or body convened to consider this Stipulation of Facts and Consent to Penalty (including any reviewing person or body authorized by the Amex Constitution and/or Rules), neither Enforcement nor the Respondent, shall offer any argument that is inconsistent with the stipulated facts or the agreed-upon penalty, nor shall either party ask for the imposition of any penalty (including arguing that no penalty should be imposed) other than that agreed upon in this Stipulation of Facts and Consent to Penalty.

AMERICAN STOCK EXCHANGE LLC

By:    
Claudia Crowley  
Senior Vice President  
Chief Regulatory Officer  
American Stock Exchange LLC

Agreed to this 3rd day of January, 2008.

  
On behalf of SG Americas Securities, LLC