

MEMO# 23295

March 4, 2009

SEC Charges 14 Specialist Firms with Improper Proprietary Trading

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 8-09
SEC RULES COMMITTEE No. 10-09 RE: SEC CHARGES 14 SPECIALIST FIRMS WITH
IMPROPER PROPRIETARY TRADING

The SEC brought enforcement actions against 14 specialist firms for unlawful proprietary trading on several regional and options exchanges. [\[1\]](#) Specifically, the SEC charged the specialist firms with violating their fundamental obligation to serve public customer orders over their own proprietary interests by “trading ahead” of customer orders, or “interpositioning” the firms’ proprietary accounts between customer orders.

The SEC instituted settled administrative and cease-and-desist proceedings against eight of the specialist firms who engaged in improper proprietary trading on the American Stock Exchange, the Chicago Board Options Exchange, and the Philadelphia Stock Exchange. The SEC also filed settled civil injunctive actions against the other six specialist firms for engaging in improper proprietary trading on the Chicago Stock Exchange.

The firms have agreed to settle the SEC’s charges by collectively paying nearly \$70 million in disgorgement and penalties.

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endnotes

[1] Links to the SEC complaints and administrative orders can be found at <http://www.sec.gov/news/press/2009/2009-42.htm>.

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