UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78577 / August 15, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-16017

In the Matter of	:	
LINKBROKERS DERIVATIVES LLC	:	NOTICE OF PROPOSED PLAN OF DISTRIBUTION AND OPPORTUNITY FOR COMMENT
Respondent.	:	

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans ("Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan (the "Plan") for the distribution of monies paid in the above-captioned matter.

On August 14, 2014 the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order") against Linkbrokers Derivatives LLC ("Linkbrokers" or "Respondent").[1] The Order found, among other things, that certain employees of Linkbrokers working at the firm's "Cash Desk" perpetrated a scheme by charging certain firm customers false prices on over 36,000 transactions from at least 2005 through at least February 2009 ("Relevant Period"). In these transactions, Linkbrokers embedded hidden profits in the form of price markups or markdowns into the execution price reported to the customer. The scheme was devious and difficult for Linkbrokers' customers to detect, in part because the employees at Linkbrokers selectively engaged in the scheme when the volatility in the market was sufficient to conceal the fraud from the customer. The Order found Linkbrokers willfully violated Section 15(c)(1) of the Securities Exchange Act of 1934 ("Exchange Act"), which prohibits fraudulent conduct by a broker or dealer when effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security. As a result of the scheme, the Commission found that Linkbrokers fraudulently charged customers over $18 million.[2] The Order required Respondent to pay disgorgement of $14,000,000.

[1] Exchange Act Rel. No. 72846 (Aug. 14, 2014).
[2] The staff calculated the specific amount as $18,651,678.

On December 11, 2015, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 15(b) of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Nowak Order") against Aaron Nowak, a registered representative associated with Linkbrokers during the Relevant Period.[3] Nowak worked as a sales trader and middle-office assistant entering orders he received from sales brokers on the Cash Desk. The Commission found that Nowak and other Linkbrokers personnel communicated false and/or misleading information to Linkbrokers customers in connection with the scheme. The Commission also found that Nowak willfully violated Sections 17(a)(2) and (3) of the Securities Act of 1933 ("Securities Act") which prohibits fraudulent conduct in the offer or sale of securities. The Nowak Order ordered Nowak to pay a civil penalty of $5,000 and created a Fair Fund for the penalty. The Nowak Order further ordered that the Fair Fund created for Nowak's penalty be transferred to this administrative proceeding and combined with the funds collected in this matter.

Linkbrokers and Nowak have paid the funds as ordered by the Commission, totaling $14,005,000 (the "Distribution Fund"). The Distribution Fund is subject to the continuing jurisdiction and control of the Commission and the Distribution Fund has been deposited at the United States Department of Treasury's Bureau of Fiscal Service ("BFS") for investment.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission's public website at http://www.sec.gov/litigation/fairfundlist.htm. Interested persons may also obtain a written copy of the Plan by submitting a written request to Michael S. Lim, Esq., United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;

2. by using the Commission's Internet comment form (http://www.sec.gov/litigation/admin.shtml); or

3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted should include "Administrative Proceeding File No. 3-16017" in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

[3] Securities Act Rel. No. 9988 (Dec. 11, 2015).

THE PLAN

The Distribution Fund is comprised of the amounts of disgorgement ($14,000,000) and civil penalties ($5,000) paid by Linkbrokers and Nowak, respectively, to the Commission. As set forth in the Plan, the proposed methodology allocates the Distribution Fund, less any reserve for taxes, fees or other expenses of administering the Distribution Fund ("Net Distribution Fund"), by dividing the total harm for each eligible customer's account by the aggregate total harm of all eligible customers' accounts multiplied by the Net Distribution Fund. An eligible customer account's distribution from the Net Distribution Fund will be adjusted by any money received from restitution funds in any related criminal proceeding.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary