

## Corporate & Financial Weekly Digest

Posted at 1:11 PM on September 17, 2010 by [Janet M. Angstadt](#)

### **FINRA Sanctions Trillium Brokerage Services, Director of Trading, Chief Compliance Officer and Nine Traders \$2.26 Million for Illicit "Layering" Trading Strategy**

On September 13, the Financial Industry Regulatory Authority announced that it has censured and fined Trillium Brokerage Services, LLC, a New York-based proprietary trading firm, \$1 million for using an illicit high-frequency trading strategy and related supervisory failures. Nine traders at Trillium entered numerous layered orders on the NASDAQ Stock Market and NYSE Arca designed to create the false appearance of buying or selling in an attempt to obtain better prices than they would have otherwise, FINRA said in a news release.

According to FINRA, the Trillium traders created a false appearance of buy- or sell-side pressure by entering the non-bona fide orders, often in substantial size relative to a stock's overall legitimate pending order volume. As a result, other market participants were induced to enter orders to execute against limit orders previously entered by the Trillium traders. Once such orders were filled, FINRA said, the Trillium traders would then immediately cancel orders that had only been designed to create the false appearance of market activity. The 46,000 instances generated approximately \$575,000 in profit and took place over a three-month period, beginning on November 1, 2006.

In addition to the nine traders, FINRA also took action against Trillium's Director of Trading and its Chief Compliance Officer. The 11 individuals were fined \$802,500, required to return \$292,000 in profits and suspended from the securities industry for periods ranging from six months to two years. As part of the settlement, Trillium and the individuals neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

To read the Letter of Acceptance, Waiver and Consent to FINRA, click [here](#).

Katten Muchin Rosenman LLP  
Charlotte Chicago Irving London Los Angeles New York Washington, DC