

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 80568 / May 1, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17959**

**In the Matter of**

**GREGORY REYFTMANN,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Gregory Reyftmann (“Respondent” or “Reyftmann”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. From February 2005 until June 2010, Reyftmann was a registered representative associated with Linkbrokers Derivatives LLC (“Linkbrokers”), a broker-dealer registered with the Commission. Reyftmann has not been associated with a registered entity since his voluntary separation from Linkbrokers in 2010. At all relevant times, Reyftmann held Series 7, 24, 55 and 63 licenses, and he obtained his Series 24 license on January 21, 2009. Reyftmann, 43 years old, currently resides in France.

## B. OTHER RELEVANT ENTITIES AND INDIVIDUALS

1. **Linkbrokers**, a Delaware limited liability company formed in 2002, was a broker-dealer registered with the Commission from 2003 to September 2014, with its principal place of business in New York, New York. On August 14, 2014, the Commission accepted Linkbrokers' Offer of Settlement and instituted administrative and cease-and-desist proceedings, pursuant to Sections 15(b) and 21C of the Exchange Act, ordering that Linkbrokers (1) cease and desist from committing or causing any violations and any future violations of Section 15(c) of the Exchange Act, (2) is censured, and (3) pay disgorgement of \$14,000,000 to the Commission. In the Matter of Linkbrokers Derivatives LLC, File No. 3-16017 (Aug. 14, 2014).

2. **Benjamin Chouchane** ("Chouchane"), 42 years old, was a registered representative who acted as a sales broker at Linkbrokers from February 2005 until December 2010. On June 12, 2013, he pled guilty in a criminal case arising from the same conduct discussed herein, United States v. Leszczynski, No. 12-cr-00923 (S.D.N.Y.). On November 14, 2013, he was sentenced to twenty-four months imprisonment, two years of supervised release, and was ordered to pay \$5 million in restitution. On January 14, 2014, a final judgment was entered by consent against Chouchane, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and ordering him to pay \$2,449,577 in disgorgement and prejudgment interest, in the related case SEC v. Leszczynski, et al., Civil Action No. 12-cv-07488 (S.D.N.Y.). The Commission subsequently accepted Chouchane's Offer of Settlement and instituted administrative proceedings, pursuant to Section 15(b) of the Exchange Act, ordering that Chouchane be barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent, and from participating in any offering of a penny stock. In the Matter of Benjamin Chouchane, File No. 3-15739 (Feb. 4, 2014).

3. **Marek Leszczynski** ("Leszczynski"), 46 years old, was a registered representative who acted as a sales broker at Linkbrokers from March 2005 until December 2010. On August 20, 2013, he pled guilty in a criminal case arising from the same conduct discussed herein, United States v. Leszczynski, No. 12-cr-00923 (S.D.N.Y.). During his allocution when pleading guilty for his role in the scheme, Leszczynski stated under oath that Reyftmann instructed him on how to add markups to trades placed for customers. On January 30, 2014, he was sentenced to eighteen months imprisonment, two years of supervised release, and ordered to pay \$1.5 million in restitution. On January 14, 2014, a final judgment was entered by consent against Leszczynski, permanently enjoining him from future violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and ordering him to pay \$1.5 million in disgorgement, in the related case SEC v. Leszczynski, et al., Civil Action No. 12-cv-07488 (S.D.N.Y.). The Commission subsequently accepted Leszczynski's Offer of Settlement and instituted administrative proceedings, pursuant to Section 15(b) of the Exchange Act, ordering that Leszczynski be barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent, and from participating in any offering of a penny stock. In the Matter of Marek Leszczynski, File No. 3-15738 (Feb. 4, 2014).

4. **Henry A. Condrón** (“Condrón”), 37 years old, was a registered representative who acted as a sales trader and middle-office assistant at Linkbrokers from February 2005 until October 2010. On October 5, 2012, he pled guilty in a criminal case arising from the same conduct discussed herein, United States v. Condrón, No. 12-cr-768 (S.D.N.Y.). On February 20, 2014, he was sentenced to serve 18 months of probation and pay \$207,675 in restitution. On January 14, 2014, a final judgment was entered by consent against Condrón, permanently enjoining him from future violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and ordering him to pay \$207,675 in disgorgement and prejudgment interest, in the related case SEC v. Leszczynski, et al., Civil Action No. 12-cv-07488 (S.D.N.Y.). The Commission subsequently accepted Condrón’s Offer of Settlement and instituted administrative proceedings, pursuant to Section 15(b) of the Exchange Act, ordering that Condrón be barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent, and from participating in any offering of a penny stock. In the Matter of Henry Condrón, File No. 3-15740 (Feb. 4, 2014).

5. **Aaron Nowak** (“Nowak”), 37 years old, was a registered representative who acted as a sales trader and middle-office assistant at Linkbrokers from November 2004 until April 2011. On December 11, 2015, the Commission accepted Nowak’s Offer of Settlement and instituted administrative and cease-and-desist proceedings, pursuant to Section 8A of the Securities Act, Section 15(b) of the Exchange Act, and Section 9(b) of the Investment Company Act of 1940, ordering that Nowak (1) cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and (3) of the Securities Act, (2) be barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent; prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, and barred from participating in any offering of a penny stock, with the right to apply for reentry after three years, and (3) pay a civil money penalty of \$5,000 to the Commission. In the Matter of Aaron Nowak, File No. 3-16999 (Dec. 11, 2015).

### C. ENTRY OF THE INJUNCTION

1. On October 5, 2012, the Commission filed a complaint in the United States District Court for the Southern District of New York against Reyftmann and others concerning the same conduct described below. Securities and Exchange Commission v. Marek Leszczynski, et al., Civil Action Number 1:12-cv-7488.

2. On February 9, 2015, a final judgment by default was entered against Reyftmann, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

3. The allegations in the Commission’s complaint covered the same conduct as the allegations contained herein. Reyftmann failed to appear in the civil action and has not

acknowledged any wrongdoing or offered any assurances against future violations of the securities laws.

#### D. FRAUDULENT MARKUP/MARKDOWN SCHEME

1. From at least 2005 through at least February 2009 (the “relevant period”), Reyftmann and others perpetrated a fraudulent markup/markdown scheme by falsifying trade execution prices and embedding hidden markups or markdowns on over 36,000 customer transactions. Through this fraudulent scheme, Reyftmann and other Linkbrokers employees involved in the scheme defrauded customers of \$18.7 million.

2. During the relevant period, Linkbrokers acted as an interdealer broker predominately for market counterparties and institutional customers dealing in equities and fixed income products. Linkbrokers acted as an agent on behalf of its customers and consistently marketed and advertised itself as an agency-only business, meaning Linkbrokers did not trade as a principal in its own account. Linkbrokers executed large volumes of securities trades on behalf of customers for low commissions. According to Linkbrokers’ internal records it was to charge its customers flat commission rates between \$0.005 and \$0.02 per share.

3. Reyftmann was the head of Linkbrokers’ “Cash Desk” during the relevant period, and Chouchane and Leszczynski were sales brokers on the Cash Desk. Reyftmann, Chouchane and Leszczynski were responsible for finding customers, developing relationships, and taking orders from customers to purchase and sell securities on their behalf. Reyftmann led the fraudulent scheme and urged and encouraged others on the Cash Desk to participate in it. Condron and Nowak served as “middle-office assistants” who maintained and updated Linkbrokers’ internal “trade blotter,” which was a software-generated spreadsheet that contained detailed information about trades executed by the Cash Desk. The trade blotter contained three separate price fields: (1) the actual execution price received by Linkbrokers; (2) the gross price—the price that included an undisclosed markup/markdown; and (3) the net price—the gross price plus the agreed upon commission.

4. The undisclosed markup/markdown scheme generally worked as follows. Reyftmann or another sales broker involved in the scheme (Chouchane or Leszczynski) would receive a customer order either by telephone, instant message, or email. The sales broker would give the order to a sales trader, who executed the trade. After the order was executed, a middle-office assistant recorded the actual execution price on the trade blotter and informed the sales broker of the execution. Shortly after the trade was executed, Reyftmann or another sales broker involved in the scheme examined other market executions in or around the time of the actual execution, to determine whether there was any stock price fluctuation. If there was sufficient stock price fluctuation at the time of the trade sufficient to conceal the fraud from the customer, the sales broker instructed the middle-office assistant to record a false execution price in the gross price field on the internal trade blotter. The middle-office assistant and/or the sales broker then reported the gross price (*i.e.* the false execution price) to the customer as the actual execution price, and tacked on the agreed-upon commission to arrive at the net price. The customers thus paid not only the

agreed-upon commission charged, but also the fraudulent secret profit that Reyftmann or one of his cohorts embedded in the price they reported to the customer as the actual trade price.

5. For example, on February 3, 2005 at 9:44 a.m., a customer sent Reyftmann an email placing an order to sell short 16,000 shares of Mercury Interactive Corp. (“MERQ”). Linkbrokers then executed the trade, short-selling 16,000 shares of MERQ on the customer’s behalf at \$47.6390 per share. The trade blotter reflected an execution price of \$47.6390, a gross price of \$47.5390, and a net price of \$47.5290. At 9:57 a.m., Reyftmann emailed the customer a trade recap confirming the trade at the false execution price of \$47.5390 per share. The commission for this transaction was \$0.01 per share, resulting in a total commission of \$160 for this trade, which Linkbrokers charged the customer. However, Reyftmann failed to disclose the additional fraudulent markdown of \$1,600.

6. Reyftmann knew that the prices and/or commissions that he, the other participants in the scheme, and Linkbrokers reported to their customers were false because he knew the prices at which the transactions were actually executed were different from the gross prices reported to the customers, and because he and the others involved in the scheme created the fictitious gross prices themselves.

7. Reyftmann also knew that the purpose of reporting the gross price to customers as the actual execution prices was to take a secret profit for Linkbrokers above the agreed-upon commission. On February 7, 2005, Reyftmann, Condrón and others received an email from an officer of Linkbrokers’ parent company explaining that the additional gross price field on the trade blotter was necessary “for those trades that you do where you can actually execute the trade at a better price than you agree with the client (i.e. where you can make a couple of cents even before you’ve added in the commission).” In other emails, an IT specialist described to Reyftmann, among others, that Linkbrokers’ proprietary software has two different commission fields—one for actual total commission charged and one for the commission amount that would be provided to the customer. Reyftmann also received an email in which Condrón requested that the IT specialist ensure that the customer will “never see the execution price” on any customer statements or trade confirmations.

8. Reyftmann and the others involved in the fraud ensured the scheme was difficult for customers to detect by selectively engaging in it only when the volatility in the market was sufficient to conceal the fraud.

#### E. FRAUDULENT LIMIT ORDER PROFIT-STEALING SCHEME

1. At times during the relevant period, Reyftmann and some of his colleagues employed a second scheme to defraud customers. Specifically, at times, when a customer placed a limit order and there was a favorable intraday movement in the price of the security, Reyftmann instructed others to take advantage of favorable intraday price movements to steal a piece of a profitable customer trade.

2. A “limit order” refers to an order to buy or sell a security at a specific price or better. For example, a customer could place a limit order to buy 100 shares of ABC stock at a price not greater than \$10.00 per share. If the broker can fill the order at that price or better, it should do so. But if the price of ABC stock is above the price specified by the customer in the limit order, the shares will not be purchased.

3. The limit order scheme was conducted as follows. When a customer placed a limit order, a member of the Cash Desk would execute it in full. Instead of reporting the full transaction to the customer, however, Reyftmann would look for an opportunity to buy or sell the same stock at a better price than the price at which the customer’s trade was executed. When such a circumstance arose, Reyftmann instructed the sales trader to either buy back some shares at the now-lower price or resell some shares at the now-higher price, and keep the profit. Then Reyftmann instructed members of the Cash Desk to falsely report to the customer that they were only able to execute a portion of the limit order at the requested price. They did not disclose to their customers that they had improperly bought back or sold a portion of the full order for their own benefit.

4. For example, on April 26, 2007 from 2:48 p.m. until 2:49 p.m., Linkbrokers executed a customer’s order to sell 22,576 shares of Qualcomm, Inc. (“QCOM”) at an average price of \$45.7500. At 3:41 p.m., Linkbrokers bought back 3,000 shares—shares that should have been allocated to the customer—for an average price of \$45.3500. At 4:30 p.m. a member of the Cash Desk falsely reported to the customer that Linkbrokers was only able to sell 19,576 shares for the customer and was not able to fill the remaining shares ordered by the customer. At 4:40 p.m., despite having sold 22,576 shares, Linkbrokers allocated sell executions representing only 19,576 shares of QCOM to its customer for a gross execution price of \$45.7500 per share. Linkbrokers recognized an additional secret profit of approximately \$1,200 on the purchase of the 3,000 shares. Linkbrokers did not inform the customer of its sale of 3,000 QCOM shares that should have been allocated to the customer. Instead, Linkbrokers only disclosed that it received a commission of \$135.07 on the customer’s sale of 19,576 shares.

5. Reyftmann and the other participants in the scheme knew that they were making misstatements to the customer when they represented, either orally or in writing, that they had been unable to fill a particular limit order in its entirety, since they were aware that the order had initially been fully executed.

#### F. REYFTMANN PROFITED FROM THE FRAUDULENT SCHEMES

1. Reyftmann and the other Linkbrokers’ employees involved in the fraud used these two fraudulent schemes to steal from customers on over 36,000 customer transactions placed through the Cash Desk over a period of more than four years. Overall, approximately 40% of the revenue generated from trading on the Cash Desk during the relevant period was attributable to the fraudulent schemes, for a total of \$18.7 million in fraudulent profits.

2. Reyftmann's compensation was directly tied to the Cash Desk's gross revenue. Reyftmann received substantial performance bonuses because he and others substantially increased revenue through the fraudulent schemes described above. As set forth in the table below, Reyftmann realized over \$3 million in ill-gotten gains from the fraudulent schemes. This amount was calculated by multiplying the bonus Reyftmann received for a particular year by the percentage of the profits of the Cash Desk attributable to the fraudulent schemes during that year:

Year	Reyftmann's Bonus	Percentage of Cash Desk's Revenue Attributable to the Fraud	Reyftmann's Ill-gotten Gains From the Fraud
2005	\$992,098	39%	\$386,918
2006	\$1,284,383	51%	\$655,035
2007	\$2,407,288	28%	\$674,040
2008	\$3,451,947	42%	\$1,449,817
2009	\$1,820,759	0.4%	\$7,283
<b>TOTAL of Reyftmann's Ill-gotten Gains</b>			<b>\$3,181,068</b>

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act;

C. Whether, pursuant to Section 15(b) of the Exchange Act, it is appropriate and in the public interest to bar Respondent from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock; or inducing or attempting to induce the purchase or sale of any penny stock.

#### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served upon Respondent as provided for in Rule 141(a)(2)(iv) of the Commission's Rules of Practice, 17 C.F.R § 201.141(a)(2)(iv).

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of the following events, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice: (1) the completion of post-hearing briefing in a proceeding where the hearing has been completed; or (2) the completion of briefing on a § 201.250 motion in the event the hearing officer has determined that no hearing is necessary; or (3) the determination by the hearing officer that, pursuant to § 201.155, a party is deemed to be in default and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields  
Secretary