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NEW JERSEY OFFICE OF  
ADMINISTRATIVE LAW  
OAL DOCKET NO.: BOS-10696-13

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IN THE MATTER OF:

STEVEN HOLD  
(CRD# 2354154) and  
WILLIAM TOBIAS  
(CRD# 2622866)

**ADMINISTRATIVE CONSENT ORDER  
AS TO STEVEN HOLD AND  
WILLIAM TOBIAS**

RESPONDENTS.  
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This matter was commenced by the issuance of a Summary Revocation Order ("Summary Order") issued by the former Chief of the New Jersey Bureau of Securities, Abbe R. Tiger,<sup>1</sup> on May 7, 2013, against Steven Hold and William Tobias (collectively "Respondents"), among others, setting forth violations of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. ("Securities Law"), and revoking Respondents' agent registrations in

<sup>1</sup> The current Acting Chief of the New Jersey Bureau of Securities is Amy Kopleton (the "Acting Bureau Chief").

New Jersey. On May 24, 2013, Respondents, through their counsel, Martin H. Kaplan, Esq., submitted an Answer to Summary Order and Demand for a Hearing and, as such, the matter was transmitted by the New Jersey Bureau of Securities ("Bureau") to the Office of Administrative Law. The Bureau and Respondents now desire to settle this matter under the full terms of the settlement in this Administrative Consent Order ("Consent Order") pursuant to N.J.A.C. 1:1-19.1. Respondents consent to the entry of this Consent Order and voluntarily waive an opportunity for a hearing after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2) and waive any rights to seek judicial review, or otherwise challenge or contend, the validity of this Consent Order.

#### **FINDINGS OF FACTS AND CONCLUSIONS OF LAW**

The Acting Bureau Chief makes the following findings of fact and conclusions of law, which Respondents neither admit nor deny:

1. Hold Brothers On-Line Investment Services, LLC, now known as Tafferer Trading LLC, (CRD# 36816) ("Hold Brothers") was registered with the Bureau as a broker-dealer from December 8, 1994 until October 26, 2012. It had a principal place of business at 1177 Avenue of the Americas, New York, New York 10036.

2. Steven Hold (CRD# 2354154) ("Hold"), residing in Warren, New Jersey, was registered with the Bureau as an agent of various broker-dealers since June 1993. Hold was last registered with the Bureau as an agent of Tafferer Trading LLC (formerly known as Hold Brothers On-Line Investment Services, LLC) from March 10, 1995 until October 12, 2012.

3. William Tobias (CRD# 2622866) ("Tobias"), residing in Hoboken, New Jersey, was registered with the Bureau as an agent of various broker-dealers since May 1995. Tobias



was last registered with the Bureau as an agent of Sodalite Financial Services LLC (formerly known as Hold Brothers Execution Services LLC) from January 30, 2009 until October 15, 2012.

4. In anticipation of proceedings by the United States Securities and Exchange Commission ("SEC"), Hold Brothers, Hold and Tobias submitted Offers of Settlement, which the SEC accepted. On September 25, 2012, Respondents consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21(C) 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 Cease-and-Desist Orders ("SEC Order") without admitting or denying the SEC's findings, which are incorporated herein by reference.

5. From at least January 2009 to September 2010, Hold Brothers was a limited liability company made up of one Class A member, Hold Brothers Inc., which was wholly owned by Hold and another individual, and a number of Class B members who conducted proprietary day trading. Additionally, Hold Brothers conducted proprietary day trading and traded on behalf of retail customer traders.

6. Hold funded and partially owned two Hold Brothers "customer" accounts for two foreign companies, Trade Alpha Corporate Ltd ("Trade Alpha") and Demonstrate, LLC ("Demonstrate"). Hold Brothers controlled overseas traders by, among other things, determining and allocating buying power, establishing stop-loss limits, and, through Hold Brothers affiliated personnel, dictating the profit distribution between Demonstrate and Trade Alpha and the traders.

Hold funded Demonstrate and Trade Alpha, and Demonstrate and Trade Alpha provided the capital for the manipulative trading by their traders.

7. The SEC found that during the period of January 2009 through September 2010, overseas traders who accessed the U.S. markets through Hold Brothers, including some through the Demonstrate and Trade Alpha accounts, engaged in a manipulative trading strategy commonly known as “layering” or “spoofing.” The traders placed an order to buy (or sell) with the intention of executing the order placed. They then immediately placed orders to sell (or buy) the same securities with no intention to have these orders executed. This was done for the purpose of attracting other orders to manipulate market prices against the original bona fide order.

8. The SEC found that certain overseas traders induced algorithms to trade in a particular security by placing and then cancelling layers of orders in that security, creating fluctuations in the national best bid or offer of that security, increasing order book depth, and using the non-bona fide orders to send false signals regarding the demand for such security, which the algorithms misinterpreted as reflecting sincere demand.

9. The SEC Order illustrates the layering activities of a certain overseas trader by chronicling the following trading activity, which took less than seven seconds:

- a. On June 4, 2010, the trader layered the stock of W.W. Grainger (NYSE: “GWW”) on NASDAQ and the Boston Stock Exchange.
- b. That day, at 11:08:55.152 a.m., the trader placed an order to sell 1,000 GWW shares at \$101.34 per share. Prior to the trader placing the order, the inside bid was \$101.27 and the inside ask was \$101.37. The trader’s

sell order moved the inside ask to \$101.34. From 11:08:55.164 a.m. to 11:08:55.323 a.m., the trader placed eleven orders offering to buy a total of 2,600 GWW shares at successively increasing prices from \$101.29 to \$101.33. During this time, the inside bid rose from \$101.27 to \$101.33, and the trader sold all 1,000 shares she offered to sell for \$101.34 per share, completing the execution at 11:08:55.333 a.m. At 11:08:55.932 a.m., less than a second after the trader placed the initial buy order, the trader cancelled all open buy orders. At 11:08:55.991 a.m., once the trader had cancelled all of her open buy orders, the inside bid reverted to \$101.27 and the inside ask reverted to \$101.37.

- c. Because the trader was now short 1,000 GWW shares, at 11:09:00.881 a.m., the trader placed an order to buy 1,000 GWW shares at \$101.30, thereby changing the inside bid to \$101.30. From 11:09:00.929 a.m. to 11:09:01.060 a.m., the trader placed eleven orders offering to sell a total of 2,600 GWW shares at successively decreasing prices from \$101.35 to \$101.31. During this time, the inside ask declined from \$101.37 to \$101.31, and the trader bought all 1,000 GWW shares she offered to buy for \$101.30 per share, completing the execution at 11:09:00.977 a.m. At 11:09:01.662 a.m., less than a second after the trader placed the initial sell order, the trader cancelled all open sell orders. At 11:09:01.792 a.m., once the trader had cancelled all of her open sell orders, the inside bid reverted to \$101.24 and the inside ask reverted to \$101.37. This round trip

transaction, which took less than seven seconds to complete, yielded the trader approximately \$40. As described below, this strategy was repeated over and over again.

10. The SEC found that during the period of January 2009 through September 2010, the overseas traders who engaged in layering entered into more than 325,000 layered transactions which corresponded to the entry of more than eight million (8,000,000) layered orders.

11. The SEC found that Hold Brothers failed to adequately monitor for manipulative trading practices, and failed to investigate red flags that were raised throughout this period. Hold Brothers failed to adequately supervise Demonstrate traders, and lacked adequate surveillance systems and procedures to prevent or detect manipulative trading activity.

12. Beginning in 2009, Hold and Tobias became aware of red flags, including several emails, which suggested that the overseas traders who traded through Hold Brothers were engaged in manipulative trading practices. Hold Brothers also received inquiries from the Financial Industry Regulatory Authority ("FINRA") and national securities exchanges regarding concerns of manipulative trading activity. Nevertheless, Respondents recklessly continued to provide the overseas traders buying power and/or access to the U.S. markets and failed to conduct adequate follow-up. Hold Brothers failed to implement procedures and policies to ensure that red flags were responded to adequately.

13. Hold was Robert Vallone's (CRD# 1429425) ("Vallone") supervisor. Hold received emails, and knew or was reckless in not knowing of suspected manipulative trades by the overseas traders. He was aware that Vallone was responsible for reviewing these trades, and he knew that inaction by Vallone could aid continued manipulative trading practices. Hold failed

to adequately supervise Vallone to ensure Vallone took steps to determine if manipulative trading had occurred and to adequately respond to red flags. If Hold had adequately supervised Vallone, he may have detected and prevented Vallone's aiding and abetting violations of Section 9(a)(2) of the Exchange Act.

14. Regardless of numerous red flags raised that indicated manipulative trading, Hold Brothers failed to file a single Suspicious Activity Report.

15. The SEC found that:

- a. Hold and Tobias willfully aided and abetted and caused Hold Brothers' violations of Section 9(a)(2) of the Exchange Act; and
- b. Hold failed to reasonably supervise Vallone in connection with Vallone's violations of the securities laws.

16. The SEC Order ordered that, among other things:

- a. Tobias was barred from association with any financial investment firm, including but not limited to, broker-dealers and investment advisors; prohibited from affiliating professionally with any investment company registered with the SEC, including but not limited to, serving as an employee, officer, director, or underwriter; and barred from participating in the offering of penny stock. Tobias was granted the right to apply for re-entry after three years;
- b. Hold was barred from association with any financial investment firm, including but not limited to, broker-dealers and investment advisors; prohibited from affiliating professionally with any investment company



registered with the SEC including, but not limited to, serving as an employee, officer, director, or underwriter; and barred from participating in the offering of penny stock. Hold was granted the right to apply for re-entry after two years;

c. Hold was barred from association in a supervisory capacity with any financial investment firm with the right to apply for re-entry after three years; and

d. Hold and Tobias were each ordered to pay a civil monetary penalty of Seventy Five Thousand (\$75,000) Dollars to the United States Treasury.

17. Respondents have provided the Bureau with proof of payment of their respective civil monetary penalties assessed against them in the SEC Order.

18. Pursuant to N.J.S.A. 49:3-58(a)(2)(vi), the Bureau Chief may by order, deny, suspend, or revoke any registration if she finds: (1) "that the order is in the public interest;" and (2) that the applicant or registrant ". . . (vi) is the subject of an order of the Securities and Exchange Commission, a self-regulatory organization, the Commodity Futures Trading Commission, an insurance regulator, or a federal or state banking regulator, suspending or expelling him from a national securities or commodities exchange or national securities or commodities association registered under the Securities Exchange Act of 1934. . . ."

19. Hold and Tobias are the subjects of an SEC Order issued September 25, 2012 barring their association with any participant in the securities industry with the ability to reapply at a later date as described in paragraph 13 herein. This is cause, pursuant to N.J.S.A. 49:3-58(a)(2)(vi), to suspend each of their registrations, respectively.





20. Based upon the foregoing, the suspension of Respondents' registration as agents is in the public interest, and necessary for the protection of investors.

21. Pursuant to N.J.S.A. 49:3-58(a)(2)(xi), the Bureau Chief may by order, deny, suspend, or revoke any registration if she finds: (1) "that the order is in the public interest;" and (2) that the applicant or registrant . . . (xi) has failed reasonably to supervise the agents of a broker-dealer for whom he has supervisory responsibility.

22. As described above, Hold failed to adequately supervise Vallone in detecting and reporting manipulative trading practices. This is additional cause, pursuant to N.J.S.A. 49:3-58(a)(2)(xi), to suspend Hold's registration as an agent for failing to reasonably supervise the agents for whom he had supervisory responsibility.

23. Based upon the foregoing, the suspension of Hold's registration as an agent is in the public interest, and necessary for the protection of investors.

**THEREFORE, IT IS** on this 1<sup>st</sup> day of May, 2014, **ORDERED and AGREED** that:

24. The agent registrations of Steven Hold and William Tobias be suspended, for two and three years, respectively, pursuant to N.J.S.A. 49:3-58(a)(1), N.J.S.A. 49:3-58(a)(2)(vi), and N.J.S.A. 49:3-58(a)(2)(xi), to run concurrent with the SEC Order. At the end of the periods of suspension, Respondents may reapply for registration with the Bureau.

25. Upon reapplication, Respondents:

- a. must demonstrate to the Bureau's satisfaction that they are in compliance with all provisions of the SEC Order including, but not limited to, section IV(H) of the SEC Order; and



b. will be subject to a Heightened Supervision Agreement (“HSA”), the terms of which shall be determined by the Bureau at that time, as a condition of registration if registration is permitted. If registration is permitted, then after two (2) years from the date of the HSA, but not sooner, Respondents may seek to terminate or modify the HSA by applying to the Bureau. In the event that Respondents seek termination or modification of the HSA, the Bureau does not represent or guarantee that the HSA will be terminated or modified in any way.

26. Nothing in this Administrative Consent Order shall require the Bureau to grant Respondents’ applications for registration.

27. Each Respondent is assessed and shall pay a civil monetary penalty, pursuant to N.J.S.A. 49:3-70.1, in the sum of Twelve Thousand Five Hundred (\$12,500) Dollars.

28. Payment shall be due and payable upon entry of this Consent Order by attorney trust fund account check, certified check or other guaranteed funds, made payable to the “Bureau of Securities, State of New Jersey” and delivered to the attention of the Bureau Chief, at the following address: New Jersey Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New Jersey 07101.

29. This Consent Order supersedes the Summary Order.

**FINAL JUDGMENT**

30. Respondents agree that this Consent Order shall be deemed the final decision as to Respondents pursuant to N.J.A.C. 1:1-19.1(d).



31. Final Judgment in the amount of Twelve Thousand Five Hundred (\$12,500) Dollars is entered against Steven Hold representing a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

32. Final Judgment in the amount of Twelve Thousand Five Hundred (\$12,500) Dollars is entered against William Tobias representing a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

**ADDITIONAL PROVISIONS**

33. This Consent Order shall not bind any person not a party hereto. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.

34. Respondents consent to the entry of this Consent Order and voluntarily waive an opportunity for a hearing after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2).

35. No employee, official of or person representing the Bureau or the State of New Jersey has made any additional promise or representation to either Hold or Tobias regarding this Consent Order.

36. Nothing contained herein shall in any manner be construed to limit or affect any position that the Bureau or any other governmental agency may take in any future or pending action not specifically encompassed herein.

37. This Consent Order may be signed in counterparts, each of which shall be deemed an original.

38. The Bureau has entered into this Consent Order in reliance on Respondents' representation that they will not effect or attempt to effect transactions in securities from or within New Jersey, or otherwise violate the Securities Law. In the event Respondents act in



contravention to this representation, the Bureau Chief may vacate this Consent Order and take further action against Respondents under the Securities Law.


39. This Consent Order is to be filed with the Clerk of the Office of Administrative Law, as required by N.J.A.C. 1:1-19.1(c)(2), as soon as practicable after it is fully executed.

  
\_\_\_\_\_  
AMY KOPLET  
ACTING BUREAU CHIEF



CONSENT TO THE FORM, CONTENT  
AND ENTRY OF THE ABOVE ORDER:

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY

By:   
Victoria A. Manning  
Deputy Attorney General

Dated: 5/1/14

Respondent Steven Hold

By:   
Steven Hold

Dated: 4/30/14

Respondent William Tobias

By: \_\_\_\_\_  
William Tobias

Dated: \_\_\_\_\_

Gusrae Kaplan Nusbaum PLLC  
120 Wall Street, 11<sup>th</sup> Floor  
New York, NY 10005  
Attorney for Respondents

By:   
Martin H. Kaplan, Esq.

Dated: 4/30/14

CONSENT TO THE FORM, CONTENT  
AND ENTRY OF THE ABOVE ORDER:

JOHN JAY HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY

By: \_\_\_\_\_  
Victoria A. Manning  
Deputy Attorney General

Dated: \_\_\_\_\_

Respondent Steven Hold

By: \_\_\_\_\_  
Steven Hold

Dated: \_\_\_\_\_

Respondent William Tobias

By: William Tobias  
William Tobias

Dated: 4/30/14

Gusrae Kaplan Nusbaum PLLC  
120 Wall Street, 11<sup>th</sup> Floor  
New York, NY 10005  
Attorney for Respondents

By: [Signature]  
Martin H. Kaplan, Esq.

Dated: 4/30/14