

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 64413 / May 5, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14310

In the Matter of	:	
	:	ORDER MAKING FINDINGS AND
ANTHONY FARERI	:	IMPOSING REMEDIAL SANCTIONS
	:	BY DEFAULT

The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) against Anthony Fareri (Fareri) on March 28, 2011, pursuant to Section 15(b) of the Securities Exchange Act of 1934 (Exchange Act). The OIP alleged that Fareri participated in the price manipulation of two penny stocks, and, as a result, he was enjoined from future violations of various provisions of the Securities Act of 1933 (Securities Act) and the Exchange Act by the U.S. District Court for the Southern District of Florida.

A telephonic prehearing conference was held on April 7, 2011, during which Fareri acknowledged receipt of the OIP. (Preh'g Tr. 4-5.) His Answer was due twenty days from the date that he was served with the OIP. See OIP at 2; 17 C.F.R. § 201.220(b). Since he has not filed an Answer, Fareri is deemed to be in default and this proceeding may be determined against him. See 17 C.F.R. §§ 201.155(a), .220(f).

Fareri consented to the issuance of a decision by default in this proceeding at the prehearing conference. (Preh'g Tr. at 5.) The Division requested that Fareri be barred from association with all entities authorized by Section 15(b)(6) as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). (Id.)

FINDINGS OF FACT

Fareri, forty-five years old, is a resident of Staten Island, New York. (OIP at 1.) From December 2003 through December 2006, he was the president of Fareri Financial Services, Inc. (d/b/a Amerifinancial), a broker-dealer registered with the Commission. (Id.) At all relevant times, Fareri held Series 7, 24, and 63 licenses. (Id.) For a portion of the time in which he engaged in the conduct underlying the complaint described below, he was also a registered representative associated with broker-dealers registered with the Commission. (Id.) Fareri

participated in a penny stock offering of American Financial Holdings, Inc., and Secure Solutions Holdings, Inc. (Id.)

The Commission's complaint in SEC v. Fareri, 9:09-cv-80360-KAM (S.D. Fla. Mar. 3, 2009), alleged that in 2004 and 2005 Fareri, then a Florida-based securities broker, defrauded his customers of more than \$4.7 million by purchasing and otherwise acquiring for their accounts worthless shares of two shell companies as part of a fraudulent scheme to manipulate the companies' stock. (OIP at 2.) As part of this scheme, Fareri allegedly received secret kickbacks totaling more than \$1 million. (Id.) The two shell companies used in the fraud—American Financial Holdings, Inc., and Secure Solutions Holdings, Inc.—traded on the Over-the-Counter Market and were quoted on the Pink Sheets. (Id.) The Complaint alleged that Fareri worked together with a Florida investor to create an artificial market for the two stocks by manipulating the price of the stocks using pre-arranged matched orders to move up the price of these securities and to create the illusion of market demand and independent value that, in reality, did not exist. (Id.) Fareri created the demand for the stocks by purchasing them for the broker's customers, while the Florida investor controlled the supply of the shares and sold them. (Id.)

On February 28, 2011, a Final Judgment was entered by default against Fareri, permanently enjoining him from future violations of Section 17(a) of the Securities Act, Exchange Act Section 10(b) and Rule 10b-5 in SEC v. Fareri. (Id.) The district court further enjoined Fareri from participating in an offering of penny stock. (Id.) Official notice is taken of the civil action and the injunction entered against Fareri. See 17 C.F.R. § 201.323.

CONCLUSIONS OF LAW

Under Exchange Act Section 15(b)(6)(A)(iii), which incorporates Exchange Act Section 15(b)(4)(C), the Commission may impose remedial sanctions on a person associated with a broker or dealer, consistent with the public interest, if the person has been enjoined from engaging in conduct in connection with the purchase or sale of any security. See 15 U.S.C. § 78o(b)(4)(C), (6)(A)(iii). As noted in more detail above, Fareri was an associated person, enjoined from violating the antifraud provisions of the federal securities laws.

To determine whether sanctions are in the public interest, the Commission considers six factors: (1) the egregiousness of the respondent's actions; (2) whether the violations were isolated or recurrent; (3) the degree of scienter; (4) the sincerity of the respondent's assurances against future violations; (5) the respondent's recognition of the wrongful nature of his or her conduct; and (6) the likelihood that the respondent's occupation will present opportunities for future violations. See Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), aff'd on other grounds, 450 U.S. 91 (1981). “[T]he Commission's inquiry into the appropriate sanction to protect the public interest is a flexible one, and no one factor is dispositive.” Conrad P. Seghers, 91 SEC Docket 2293, 2298 (Sept. 26, 2007) (citing Robert W. Armstrong, III, 85 SEC Docket 3011, 3039 (June 24, 2005) (quoting KPMG Peat Marwick LLP, 54 S.E.C. at 1192).). Remedial sanctions are not intended to punish a respondent, but to protect the public from future harm. See Leo Glassman, 46 S.E.C. 209, 211-12 (1975).

While no findings of fact were made in the civil action underlying this proceeding, the OIP noted that Fareri's conduct occurred over the course of two years, were he violated antifraud laws through a collusive scheme to manipulate the market for two different penny stocks. These allegations are deemed true, pursuant to 17 C.F.R. § 201.155(a) and Fareri does not contest them. Fareri has not provided assurances against future violations or to recognize the wrongful nature of his conduct.

Furthermore, the Commission has noted that "the fact that a person has been enjoined from violating the antifraud provisions 'has especially serious implications for the public interest.'" Michael T. Studer, 57 S.E.C. 890, 898 (2004) (quoting Marshall E. Melton, 56 S.E.C. 695, 713 (2003)). "Conduct that violates the antifraud provisions of the federal securities laws is . . . subject to the severest of sanctions under the securities laws." Jose P. Zollino, 89 SEC Docket 2598, 2608 (Jan. 16, 2007); Melton, 56 S.E.C. at 713. The existence of such an injunction can indicate the appropriateness of a bar from participation in the securities industry. See Michael Batterman, 57 S.E.C. 1031, 1043 (2004); Melton, 56 S.E.C. at 709-710.

In view of the foregoing, and consistent with the public interest, Fareri should be barred from association within the securities industry. Section 15(b)(6)(A), as amended by Dodd-Frank, authorizes bars from association with a "broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistically rating organization." Because bars from association with a municipal advisor or nationally recognized statistically rating organization did not exist at the time of Fareri's conduct, they will not be applied here. See generally Landgraf v. USI Film Products, 511 U.S. 244, 245, 269-70 (1994).

ORDER

IT IS ORDERED, pursuant to Section 15(b)(6)(A) of the Securities Exchange Act of 1934, that Anthony Fareri is barred from association with a broker, dealer, investment adviser, municipal securities dealer, or transfer agent.

Robert G. Mahony
Administrative Law Judge