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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

SECURITIES AND EXCHANGE COMMISSION,

Petitioner,

14 CV _____

v.

HOLD BROTHERS ON-LINE INVESTMENT SERVICES,
LLC, now known as TAFFERER TRADING, LLC, GREGORY
HOLD, and STEVEN HOLD,

Respondents.

**APPLICATION TO ENFORCE FINAL ORDER AS TO
HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC,
AND TO IMPOSE CONTROL PERSON LIABILITY
ON GREGORY HOLD AND STEVEN HOLD**

Petitioner United States Securities and Exchange Commission (the "Commission"), whose New York Regional Office is located at 200 Vesey Street, Brookfield Place, Room 400, New York, New York 10281-1022, for its Application against Respondent Hold Brothers On-Line Investment Services, LLC ("Hold Brothers"), which conducted business at 525 Washington Boulevard, Jersey City (Hudson County), New Jersey 07310; Respondent Gregory Hold, 400 Chambers Street, New

York, New York 20282-1003; and Respondent Steven Hold, 3 Stonewood Court, Warren (Somerset County), New Jersey 07059-2701, alleges as follows:

SUMMARY

1. This is an Application for an order enforcing a Commission consent order against Hold Brothers and holding Gregory and Steven Hold jointly and severally liable with Hold Brothers, as control persons, for any unpaid amounts.

2. Gregory and Steven Hold — the eponymous Hold brothers — founded Hold Brothers in 1994. Gregory Hold was at all relevant times the chief executive officer (“CEO”) of Hold Brothers, a broker-dealer. Until at least September 25, 2012, Steven Hold was Hold Brothers’ president, and Gregory and Steven Hold together controlled the firm.

3. In approximately September 2010, the Commission commenced an investigation of certain manipulative trading practices by traders who were using Hold Brothers’ trading systems.

4. By August 2012, Hold Brothers had agreed to settle with the Commission in part by paying over \$2.5 million in five installments over approximately one year.

5. On September 25, 2012, the Commission issued a consent order (the “Final Order”) in an administrative proceeding captioned *In the Matter of Hold Brothers On-Line Services, LLC, Demonstrate, LLC, Trade Alpha Corporate Ltd, Steven Hold, Robert Vallone and William Tobias* (AP File No. 3-15046). The Final Order found that Hold Brothers had violated the federal securities laws by enabling and failing to adequately monitor deceptive trading practices by certain offshore traders who used its systems. It required Hold Brothers to pay disgorgement, civil penalties, and post-order interest totaling \$2,535,237.44 in five installments over the next 360 days.

6. Hold Brothers made only the first scheduled payment of \$503,333.40, on approximately October 5, 2012, before defaulting on the remaining four payments, totaling over \$2 million.

7. Instead, Gregory and Steven Hold knowingly caused Hold Brothers to pay at least \$1.4 million to its members (equity holders) in the same month the Final Order was issued, on information and belief. Hold Brothers was therefore unable to make the required, agreed-upon payments to the Commission, on information and belief.

8. The Commission therefore applies, pursuant to Section 21(e)(1) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78u(e)(1), for an order to enforce Hold Brothers' compliance with the Final Order. The Commission further applies, pursuant to Sections 20(a) and 21(e)(1) of the Exchange Act, for an order finding that Gregory and Steven Hold, as control persons of Hold Brothers, are jointly and severally liable with Hold Brothers for payment of the unpaid amounts.

PARTIES

9. The Commission is an agency of the United States Government.

10. Hold Brothers, now known as Tafferer Trading LLC, is a Delaware limited liability company wholly-owned by Gregory and Steven Hold. From January 1995 to February 18, 2013, Hold Brothers was a broker-dealer registered with the Commission. Although Hold Brothers now appears to be inoperative, it maintains its legal existence and appears to be in good standing with the State of Delaware. At all relevant times, Hold Brothers conducted business at 525 Washington Boulevard, Jersey City (Hudson County), New Jersey 07310. Hold Brothers' last known business address is 1177 Avenue of the Americas, Suite 2B, New York, New York 10036.

11. Gregory Hold, age 44, was the co-founder, with his brother Steven Hold, and CEO of Hold Brothers.

12. Steven Hold, age 43, co-founded Hold Brothers with his brother, Gregory Hold. Until September 25, 2012, Steven Hold was the president of Hold Brothers.

JURISDICTION AND VENUE

13. This Court has jurisdiction of this Application under Sections 21(e)(1) and 27(a) of the Exchange Act, 15 U.S.C. §§ 78u(e)(1) and 78aa(a).

14. Venue lies in the District of New Jersey. Hold Brothers transacted business in this District, and Steven Hold resides in this District.

15. This matter properly lies within the Trenton Vicinage, because Steven Hold resides in Somerset County, New Jersey.

FACTS

A. Hold Brothers Violates the Federal Securities Laws.

16. In September 2010, the Commission launched an investigation into a sophisticated type of market manipulation called “layering” or “spoofing.” “Spoofing” uses non-*bona fide* orders — orders the trader does not intend to execute — to create an appearance of legitimate trading activity. The Commission’s investigation revealed that, from at least January 2009 through September 2010 (the “Manipulation Period”), offshore traders who accessed the United States securities markets through Hold Brothers used spoofing schemes to induce other market participants into trades. Hold Brothers enabled the manipulative activity by failing to adequately monitor for and investigate the manipulative trading, despite many red flags.

17. The offshore traders conducted their manipulative trading on the United States markets through Hold Brothers “customer” accounts held by two foreign shell companies, Demostrate, LLC (“Demostrate”) and Trade Alpha Corporate, Ltd. (“Trade Alpha”). Gregory and Steven Hold created and owned Demostrate and Trade Alpha and financed the offshore traders’ manipulative trading by supplying the traders’ funds.

18. During the Manipulation Period, Steven Hold received red flags concerning the manipulative trading. For example, he received an e-mail from a senior Hold Brothers executive

describing complaints from two exchanges about traders “who were trying to make a stock look active by sending/canceling a lot of orders.” Yet Hold Brothers failed to address the traders’ conduct and continued to assist the offshore traders by supplying them with funds, buying power, and access to the United States markets.

19. The manipulative “spoofing” trades yielded a profit of approximately \$1.8 million to Gregory and Steven Hold, as owners of Demostate, and Hold Brothers.

B. The Commission Accepts Hold Brothers’ Settlement Offer.

20. Beginning in approximately February 2012, Hold Brothers and its counsel began settlement discussions with the Commission staff. From the start, the Commission staff made clear to Hold Brothers that any settlement would require the payment of substantial monetary relief.

21. When the settlement negotiations began, Hold Brothers’ filings with the Financial Industry Regulatory Authority (“FINRA”) indicated that Hold Brothers had the financial resources to pay the Commission at least several million dollars. Specifically, on February 29, 2012, Hold Brothers filed an audited financial report for the period ended December 31, 2011. The report stated that Hold Brothers’ assets exceeded its liabilities by over \$6.4 million and that it held over \$4.5 million of assets in cash or cash equivalents — assets that could easily be used to fund a settlement.

22. Gregory and Steven Hold directed and authorized settlement negotiations on Hold Brothers’ behalf. Gregory and Steven Hold therefore knew by March 2012 at the latest that Hold Brothers would be required to pay a substantial amount to the Commission to reach a settlement.

23. On August 10, 2012, Hold Brothers, as directed by Gregory and Steven Hold, tendered a signed offer of settlement to the Commission. Hold Brothers consented to the issuance of a Commission order requiring it to pay disgorgement, civil penalties, and post-order interest totaling \$2,535,237.44 in five scheduled installments over 360 days. Steven Hold signed the settlement offer on behalf of Hold Brothers.

24. After Hold Brothers submitted the settlement offer, the Commission and Hold Brothers agreed to certain changes to the contemplated Commission order. The changes did not alter the payment amount or schedule.

25. On September 10, 2012, Hold Brothers, as directed by Gregory and Steven Hold, tendered a revised offer of settlement to the Commission with the negotiated changes. Hold Brothers once again consented to the issuance of a Commission order requiring it to pay disgorgement, civil penalties, and post-order interest totaling \$2,535,237.44 in five scheduled installments over 360 days. Steven Hold again signed the settlement offer on Hold Brothers' behalf.

26. The Commission accepted Hold Brothers' revised settlement offer.

27. On September 25, 2012, the Commission issued the Final Order, which incorporated the settlement offer's terms and named Steven Hold (but not Gregory Hold) as a respondent, on consent.

28. The Final Order required Hold Brothers to pay disgorgement, a civil penalty, and post-order interest totaling \$2,535,237.44 in five installments: (1) \$503,333.40 within ten days of the Final Order's entry; (2) \$510,759.63 within ninety days of the Final Order's entry; (3) \$508,903.08 within one hundred eighty days of the Final Order's entry; (4) \$507,046.52 within two hundred seventy days of the Final Order's entry; and (5) \$505,194.81 within three hundred sixty days of the Final Order's entry. The Final Order further provided that if any payment deadline was missed, the entire outstanding judgment amount, plus any additional interest required by Commission Rule of Practice 600 and 31 U.S.C. § 3717, would be due and payable immediately.

29. The Final Order also barred Steven Hold from associating with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for two years and from associating in a supervisory capacity with any such entity for three years.

30. Steven and Gregory Hold knew that the Final Order was issued and that it required Hold Brothers to pay the Commission over \$2.5 million over the following year.

C. Hold Brothers Fails to Comply with the Final Order.

31. In September 2012, Hold Brothers made payments totaling over \$1.4 million to approximately twenty-three of its Class B members, traders who held equity in Hold Brothers, on information and belief.

32. On October 3, 2012, eight days after the Final Order was issued and less than a month after tendering its revised settlement offer to the Commission, Hold Brothers changed its name to Tafferer Trading LLC.

33. On approximately October 5, 2012, Hold Brothers paid the first installment of \$503,333, as the Final Order required.

34. On October 12, 2012, three weeks after the Final Order was issued, Hold Brothers ceased doing business and filed a Form BDW to withdraw its Commission registration as a broker-dealer.

35. After paying the first installment, Hold Brothers failed to pay the second scheduled installment, due on December 24, 2012. Once Hold Brothers missed the second payment deadline, the entire remaining settlement amount of over \$2 million became due, under the Final Order's terms.

36. To date, Hold Brothers has made no further payments under the Final Order.

37. The Commission terminated Hold Brothers' broker-dealer registration on February 18, 2013.

D. Gregory and Steven Hold Caused Hold Brothers' Failure To Comply with the Final Order.

38. At all relevant times, Gregory Hold has exercised control over Hold Brothers, including its operations, finances, and legal affairs. Gregory Hold is the CEO of Hold Brothers, a

role he held throughout the Manipulation Period and the settlement process. As he acknowledged in sworn testimony before the Commission, he could, as Hold Brothers' CEO, "certainly tell [managers and executives of Hold Brothers] what to do."

39. At least before September 25, 2012, Steven Hold also exercised control over Hold Brothers, including its operations, finances, and legal affairs. Until that date, Steven Hold was the president of Hold Brothers. Steven Hold directly or indirectly supervised numerous key executives and departments, including Hold Brothers' chief financial officer, chief operations officer, trade support department, compliance department, accounting department, and business development department.

40. Additionally, Gregory and Steven Hold together served as the "Board" of Hold Brothers. According to Gregory Hold's own testimony, he and Steven Hold would conduct "Board calls" to discuss the management of Hold Brothers. Nobody besides Gregory and Steven Hold typically attended these Board calls.

41. Gregory and Steven Hold further controlled Hold Brothers through their ownership of Hold Brothers, Inc. ("Hold Inc."). Together, they owned 100% of Hold Inc., the majority owner of Hold Brothers at all relevant times. For example, on September 18, 2012, just before the Final Order was issued, Hold Brothers filed a Form BD stating that Hold Inc. then held over 75% of Hold Brothers. Similarly, on October 11, 2012, shortly after the Final Order was issued, Hold Brothers filed a Form BD stating that Hold Inc. still held over 75% of Hold Brothers. Both of these Form BD filings listed Gregory Hold and Steven Hold as the sole "Indirect Owners" of Hold Brothers.

42. Hold Brothers' Forms BD further identified both Gregory and Steven Hold as "Control Person[s]" of Hold Brothers until October 11, 2012, when Hold Brothers amended its Form BD and ceased listing Steven Hold as a control person. Hold Brothers' Forms BD continued

to list Gregory Hold as a control person until Hold Brothers' Commission registration was terminated in February 2013.

43. As a result, until at least September 25, 2012, Gregory and Steven Hold together held and exercised the power to direct Hold Brothers' actions and to direct and approve the management of litigation against the firm and the payment of settlements and judgments arising from such litigation. After that date, Gregory Hold continued to hold and exercise the same powers.

44. Gregory and Steven Hold further directed and authorized Hold Brothers to enter into the settlement with the Commission resulting in the Final Order.

45. Upon information and belief, Gregory and Steven Hold directed and authorized Hold Brothers to make payments to persons other than the Commission even after Hold Brothers had consented to pay the Commission over \$2.5 million in monetary relief. For example, on information and belief, Gregory and Steven Hold authorized Hold Brothers to pay over \$1.4 million to Class B members (equity holders) of Hold Brothers in September 2012, the month the Final Order was entered.

46. Accordingly, Gregory Hold and Steven Hold were culpable participants in Hold Brothers' failure to comply with the Final Order's payment terms, resulting in Hold Brothers' non-payment of over \$2 million owed to the Commission.

FIRST CLAIM FOR RELIEF
Enforcement of Final Order
Section 21(e)(1) of the Exchange Act

47. Paragraphs 1 through 46 are realleged and incorporated by reference as if fully set forth herein.

48. Section 21(e) of the Exchange Act, 15 U.S.C. § 78u(e), provides that "[u]pon application of the Commission the district courts of the United States . . . shall have jurisdiction to

issue writs of mandamus, injunctions, and orders commanding (1) any person to comply with the provisions of this title, the rules, regulations, and orders thereunder.”

49. Hold Brothers has failed to pay the disgorgement, civil penalty, and post-order interest as ordered by the Commission in the Final Order.

50. The Commission respectfully requests that this Court issue an order, pursuant to Section 21(e)(1) of the Exchange Act, commanding Hold Brothers to pay the unpaid disgorgement, civil penalty, and post-order interest required by the Final Order.

SECOND CLAIM FOR RELIEF
Control Person Liability
Section 20(a) of the Exchange Act

51. Paragraphs 1 through 50 are realleged and incorporated by reference as if fully set forth herein.

52. Section 20(a) of the Exchange Act provides:

Every person who, directly or indirectly, controls any person liable under any provision of this title or of any rule or regulation thereunder shall also be liable jointly and severally with and to the same extent as any controlled person to any person to whom such controlled person is liable (including to the Commission in any action brought under paragraph (1) or (3) of section 21(d)), unless the controlling person acted in good faith and did not directly or indirectly induce the act or acts constituting the violation or cause of action.

15 U.S.C. § 78t(a).

53. Gregory Hold and Steven Hold controlled Hold Brothers — a controlled person liable to the Commission — and culpably caused Hold Brothers to fail to comply with the Final Order. Gregory Hold and Steve Hold are therefore jointly and severally liable with Hold Brothers for the unpaid amount of disgorgement, civil penalty, and post-order interest.

RELIEF SOUGHT

WHEREFORE, the Commission respectfully requests:

I.

That the Court enter an Order commanding Hold Brothers, Gregory Hold, and Steven Hold, jointly and severally, to pay the unpaid balance of disgorgement, civil penalty, and post-order interest as required by the Final Order against Hold Brothers.

II.

That the Court enter such other and further orders as may be necessary for enforcement of any order of this Court as to disgorgement and post-order interest thereon by civil contempt or other remedy as allowed by Rule 69(a) of the Federal Rules of Civil Procedure.

III.

That the Court enter such other and further orders as may be necessary for the enforcement of any order of this Court as to civil penalty and post-order interest thereon pursuant to the Federal Debt Collection Procedures Act, 28 U.S.C. §§ 3001-3308.

IV.

That the Court retain jurisdiction as appropriate to assure and effect compliance with the orders entered herein.

V.

That the Court order such other and further relief as may be just and proper.

Dated: New York, New York
November 21, 2014



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LOCAL CIVIL RULE 11.2 CERTIFICATION

Pursuant to Local Civil Rule 11.2, I certify that the matter in controversy alleged in the foregoing Application is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

By: /s/ Andrew M. Calamari

Andrew M. Calamari

Counsel for Petitioner

U.S. SECURITIES AND EXCHANGE COMMISSION

New York Regional Office

200 Vesey Street, Room 400

New York, NY 10281-1022

DESIGNATION OF AGENT FOR SERVICE

Pursuant to Local Civil Rule 101.10, because the Securities and Exchange Commission (the “Commission”) does not have an office in this district, the United States Attorney for the District of New Jersey is hereby designated as eligible as an alternative to the Commission to receive service of all notices or papers in the above captioned action. Therefore, service upon the United States or its authorized designee, John Andrew Ruymann, United States Attorney’s Office for the District of New Jersey, 402 East State Street, Room 430, Trenton, New Jersey 08608, shall constitute service upon the Commission for purposes of this action.

By: /s/ Andrew M. Calamari
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