

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 66247 / January 26, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14718

In the Matter of

Richard V. Rizzo,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Richard V. Rizzo (“Rizzo” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. These proceedings arise from trading access that Zanshin Enterprises, LLC ("Zanshin"), an unregistered firm, provided to an individual who subsequently used that trading access to profit from an account intrusion and market manipulation scheme. On nine occasions from October 2009 to December 2009, the individual made profitable trades through Zanshin contemporaneous with unauthorized trading in the same securities in hijacked online brokerage accounts of innocent and unknowing account holders at multiple U.S. broker-dealers. The individual generated ill-gotten gains of \$55,725 from the scheme through Zanshin.

2. By effecting securities transactions for the individual, Zanshin acted as an unregistered broker in violation of Section 15(a) of the Exchange Act. Rizzo, who arranged for the individual to receive trading access through Zanshin, aided and abetted and caused Zanshin's failure to register as a broker in violation of Section 15(a).

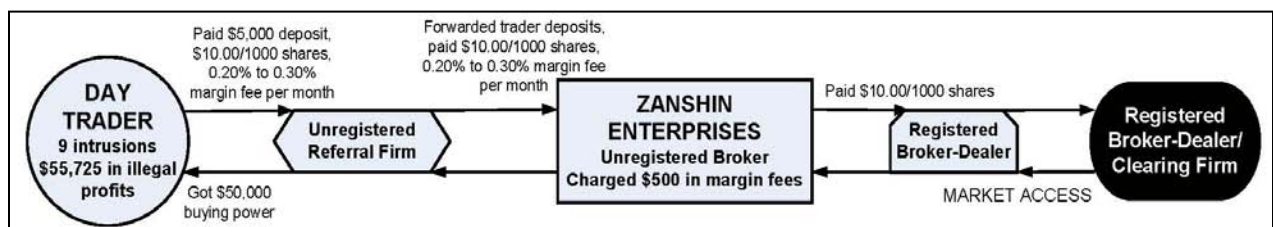
Respondent

3. Richard V. Rizzo maintained a website soliciting day traders and arranged for traders to receive market access through Zanshin Enterprises, LLC from September 2009 to December 2009 (the "relevant period"). In that capacity, Rizzo was associated with Zanshin. Rizzo previously held Series 7, 24 and 63 licenses but did not hold any securities licenses and was not registered with the Commission in any capacity during the relevant period. Rizzo, age 41, is a resident of Oceanside, New York.

Other Relevant Entity

4. Zanshin Enterprises, LLC is a Texas limited liability company that had its principal place of business in Boise, Idaho during the relevant period. Zanshin has never been registered with the Commission in any capacity. During the relevant period, approximately 125 individuals traded as many as four million shares per month on U.S. exchanges in omnibus accounts held in Zanshin's name at a registered broker-dealer.

Sponsored Market Access



5. Sponsored market access is a form of trading access whereby a broker-dealer permits customers to enter orders into the public market without the orders first passing through the broker-dealer's trading systems. During the relevant period, Zanshin received sponsored

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other persons or entities in this or any other proceeding.

market access from its registered broker-dealer and Rizzo arranged for traders to receive sponsored market access through Zanshin.

6. During the relevant period, Rizzo maintained a website soliciting day traders and arranged for traders to receive market access through Zanshin pursuant to a “professional service agreement.” Approximately 20 traders who had been solicited by Rizzo were trading in Zanshin’s omnibus account via sponsored market access during the relevant period.

7. In September 2009, Rizzo arranged for an individual who claimed to be a day trader from Latvia to receive market access through Zanshin. With Rizzo’s knowledge, Zanshin provided the Latvian trader with sponsored access trading software and instructed the software provider to assign the Latvian trader a user ID and password so that he could use the software to trade online through Zanshin’s account. In so doing, Zanshin provided and controlled an electronic trading platform for the Latvian trader to trade in the public market.

8. The Latvian trader wired \$5,000 of his own money to Rizzo as a risk deposit, which Rizzo forwarded to Zanshin. Rizzo also entered into an agreement with the Latvian trader stating that the trader was responsible for 100% of any trading losses that he incurred through Zanshin’s account.

9. With Rizzo’s knowledge, Zanshin then used the trading software to extend the trader \$50,000 in “buying power” through Zanshin’s account, which was a portion of the trading margin that Zanshin received from its registered broker-dealer. Although Zanshin extended credit to the trader to purchase securities, Zanshin’s capital was not ultimately at risk because the trading software allowed it to see his trading in real time and would automatically cut off his trading access if his capital balance fell below \$2,000, effectively allowing Zanshin to ensure that the trader would never lose money in excess of his capital balance.

10. With Rizzo’s knowledge, Zanshin charged the Latvian trader a monthly fee that ranged from 0.20 to 0.30 percent of every dollar of margin above his capital balance that he was authorized to trade through Zanshin.

11. During the relevant period, Zanshin tracked the Latvian trader’s capital balance, adding the trading profits that he generated through Zanshin’s account and subtracting its margin fees and the trading commissions charged by Zanshin’s registered broker-dealer. Zanshin transferred the Latvian trader’s net profits to Rizzo, who then transferred them to an offshore account maintained by the Latvian trader.

Account Intrusions

12. On nine occasions from October 2009 to December 2009, the Latvian trader made profitable trades in Zanshin’s account contemporaneous with unauthorized trading in the same securities in hijacked online brokerage accounts at multiple U.S. broker-dealers. The unauthorized trading in hijacked online brokerage accounts was conducted by the Latvian trader outside the electronic trading platform provided by Zanshin and Rizzo.

13. On each occasion, the trader first established a long or short position in a security through Zanshin’s account. Then the trader surreptitiously gained access to an online brokerage account and made large unauthorized trades in the same security to manipulate the stock price in his favor, through unauthorized purchases if he held a long position through Zanshin or through

unauthorized sales or short sales if he held a short position through Zanshin. Finally, during or shortly after the manipulative trading in the intruded account, the trader closed out his position through Zanshin at the artificial market price to generate a profit.

14. The trader generated ill-gotten gains of \$55,725 from the scheme through Zanshin's account. The trader engaged in similar manipulative trading through other unregistered firms, and generated total profits of \$874,886 from 159 account intrusions between June 2009 and August 2010.

15. As a result of providing the Latvian trader with electronic order-taking and order-routing services that he used to conduct an illegal account intrusion and market manipulation scheme, Zanshin received approximately \$500 in margin fees and other charges.

16. By providing trading access in the manner described above and allocating trades conducted by the traders against capital provided by the traders themselves, Zanshin engaged in the business of effecting transactions in securities for the account of others.

Violations

17. As a result of the conduct described above, Zanshin acted as an unregistered broker in violation of Section 15(a) of the Exchange Act, which prohibits certain persons and entities, while acting as brokers, from effecting transactions in securities when such person or entity is not registered with the Commission as a broker.

18. As a result of the conduct described above, Rizzo willfully² aided and abetted and caused Zanshin's violation of Section 15(a) of the Exchange Act, which prohibits certain persons and entities, while acting as brokers, from effecting transactions in securities when such person or entity is not registered with the Commission as a broker.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Respondent is censured.

² A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

C. Respondent shall pay a civil penalty of \$35,000 to the United States Treasury. Payment shall be made in the following installments:

Payment Date	Amount
30 days after issuance of Order	\$7,000
90 days after issuance of Order	\$7,000
180 days after issuance of Order	\$7,000
270 days after issuance of Order	\$7,000
365 days after issuance of Order	\$7,000
TOTAL	\$35,000

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance, plus interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payments shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check, or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Richard V. Rizzo as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and check, money order, or wire transfer confirmation shall be sent to Jina L. Choi, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery St, 26th Floor, San Francisco, CA 94104.

By the Commission.

Elizabeth M. Murphy
Secretary