

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 51531 / April 12, 2005**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-11896**

**In the Matter of**

**Marc N. Siegel,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS PURSUANT TO**  
**SECTION 15(b) OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), against Marc N. Siegel (“Siegel” 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, Respondent consents to the entry of this Order Instituting Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

### III.

On the basis of this Order and the Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **Respondent and Related Party**

1. Marc N. Siegel, age 43, resides in Boca Raton, Florida. Between January 2001 and October 2002, Siegel was president of vFinance Investments, Inc. ("Vfinance"). Siegel was ultimately responsible for establishing and implementing policies and procedures for the supervision of its traders. For instance, Siegel reviewed and approved the supervisory manual in effect at Vfinance during the relevant period. Siegel, who has no disciplinary history, is currently self-employed as a private consultant.

2. Vfinance is a registered broker-dealer with its main office located in Boca Raton, Florida and offices of supervisory jurisdiction ("OSJ") in New York, New Jersey and Florida. It is a wholly-owned subsidiary of Vfinance, Inc., a publicly held Delaware corporation that files periodic reports with the Commission. Vfinance is a member of the National Association of Securities Dealers ("NASD"). During November and December 2001, Vfinance conducted an investment advisory and general securities business through approximately 65 registered representatives and traders. The NASD and the Commission have previously sanctioned Vfinance and/or one of its predecessor firms for failing to maintain adequate supervisory policies and procedures.

#### **Market Manipulation**

3. During November and December 2001, a trader then associated with Vfinance assisted a stock promoter in manipulating the market for Gateway International Holdings, Inc. ("Gateway") stock, without the knowledge of Vfinance or Siegel. During the relevant period, Gateway was a shell company known as Gourmet Gifts, Inc., with no reported significant operations, assets, or revenues. Gateway's stock was quoted on the OTC Bulletin Board (a quotation service operated by the NASD).

4. Between November 8, 2001 and December 6, 2001, the closing price of Gateway stock increased from \$.19 to \$4.55 per share. The price increase was not due to corporate developments, since there was only one press release during this period, which was issued on November 11. On December 7, the closing price of the stock dropped to \$.95, due in part to a forward stock split.

5. During the relevant period, the trader made a market in Gateway stock on behalf of Vfinance. During that time, the promoter repeatedly contacted the trader at Vfinance's offices. The trader admitted that, in response to instructions received from the promoter, he repeatedly

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

raised Vfinance's quoted inside bid price for Gateway stock to as high as \$3.65 by December 6, 2001.

6. Gateway stock traded on 14 days during the relevant period, during which the trader caused Vfinance to place 71% of all inter-dealer orders, which represented approximately one-half of the shares traded through such orders. On five days during the relevant period, trading by Vfinance represented between 65% and 100% of total reported volume.

### **Supervisory Failures**

7. During the relevant period, Vfinance had written procedures requiring the performance of certain supervisory duties relating to trading activities. These procedures included reviewing daily trading reports, monitoring telephone conversations of traders, monitoring quotations and volume of Vfinance's trading, and maintaining a log of all supervisory reviews. However, Vfinance did not have a system in place to implement its supervisory procedures.

8. Vfinance's system for implementing its written supervisory procedures was deficient because, among other things, it failed to adequately (1) identify the person(s) responsible for supervising traders; (2) identify steps to be taken by supervisors to prevent market manipulation by registered representatives; and (3) communicate the procedures to Vfinance's supervisory staff. If Vfinance had implemented an adequate system of supervision, it is likely that it would have detected and prevented the trader's securities law violations.

9. As president of Vfinance, Siegel was responsible for establishing procedures and a system to implement these procedures that would reasonably be expected to prevent and detect violations of the securities laws. For reasons described in paragraph 8 above, the system to implement the procedures was deficient. If Siegel had implemented an adequate system of supervision, it is likely that the firm would have detected and prevented the trader's securities violations.

10. The trader's conduct, described in Section III, paragraphs 3 through 6 above, violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

11. Based on the foregoing, Siegel failed reasonably to supervise the trader, a registered representative subject to his supervision, with a view to preventing and detecting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, within the meaning of Section 15(b)(4)(E) of the Exchange Act.

## **IV.**

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

Accordingly, it is hereby ORDERED:

- A. That Respondent Siegel be, and hereby is, suspended from association in a supervisory or proprietary capacity with any broker or dealer for a period of twelve months, effective on the second Monday following the entry of this Order. Siegel shall provide to the Commission, within 30 days after the end of the suspension period described above, an affidavit that he has complied fully with the suspension;
- B. That Respondent Siegel shall pay a penalty of \$25,000.

By the Commission.

Jonathan G. Katz  
Secretary