SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934
Release No. 102101 / January 3, 2025

INVESTMENT ADVISERS ACT OF 1940
Release No. 6807 / January 3, 2025

Admin. Proc. File No. 3-21030

In the Matter of

LEON VACCARELLI

OPINION OF THE COMMISSION

BROKER-DEALER PROCEEDING

INVESTMENT ADVISER PROCEEDING

Grounds for Remedial Action

Conviction

Respondent was convicted of mail, wire, and securities fraud and money laundering. *Held*, it is in the public interest to bar respondent from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

APPEARANCES:

Leon Vaccarelli, pro se

David H. London for the Division of Enforcement

On September 2, 2022, the Securities and Exchange Commission instituted an administrative proceeding against Leon Vaccarelli under Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940.[1] The Division of Enforcement now moves for summary disposition, which Vaccarelli opposes. Based on our review of the filings, we grant the Division's motion and find that it is in the public interest to bar Vaccarelli from the securities industry.

I. Background

A. Vaccarelli was convicted of mail, wire, and securities fraud and money laundering.

Vaccarelli entered the securities industry in 1999. From February 2011 to August 2017, he was a registered representative with The Investment Center, Inc. ("TIC"), a registered broker-dealer, and an investment adviser representative with IC Advisory Services, Inc., a registered investment adviser.[2]

On May 29, 2019, a federal jury convicted Vaccarelli of three counts of mail fraud, in violation of 18 U.S.C. § 1341; nine counts of wire fraud, in violation of 18 U.S.C. § 1343; six counts of securities fraud, in violation of Exchange Act Sections 10(b) and 32,[3] and Exchange Act Rule 10b-5;[4] and three counts of money laundering, in violation of 18 U.S.C. § 1957.[5] As the district court found when denying Vaccarelli's motion for judgment of acquittal, the evidence showed that Vaccarelli secretly misappropriated client funds, spent them to cover personal expenses, and sent "lulling letters" to investors.[6] For his violations, the court sentenced

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1 *Leon Vaccarelli*, Exchange Act Release No. 95671, 2022 WL 4011090 (Sept. 2, 2022).

2 Pursuant to Rule of Practice 323, we take official notice of Vaccarelli's BrokerCheck and Investment Adviser Public Disclosure ("IAPD") reports—https://brokercheck.finra.org/individual/summary/3227636 and https://adviserinfo.sec.gov/individual/summary/3227636, respectively—and of orders and other documents from the federal criminal and civil proceedings against him. *See* 17 C.F.R. § 201.323 (permitting the Commission to take official notice of "any material fact which might be judicially noticed by a district court of the United States" and of "any matter in the public official records of the Commission"); *Daniel B. Vazquez, Sr.*, Exchange Act Release No. 100431, 2024 WL 3179320, at *1 n.2 (June 26, 2024) (taking official notice of BrokerCheck and IAPD records and federal civil and criminal court records).

3 15 U.S.C. §§ 78j(b), 78ff.

4 17 C.F.R. § 240.10b-5.

5 *United States v. Vaccarelli*, No. 3:18-cr-00092-JBA (D. Conn. May 29, 2019), ECF No. 119 (also reflecting convictions under 18 U.S.C. § 2 for willfully causing these offenses).

6 *United States v. Vaccarelli*, No. 3:18-cr-00092-JBA, 2020 WL 1329695 (D. Conn. Mar. 23, 2020).

him to 90 months' imprisonment to be followed by three years of supervised release and ordered him to pay restitution of over $1.4 million to 14 victims.[7]

In a related civil action brought by the Commission, in June 2023, a court permanently enjoined Vaccarelli from violating Exchange Act Section 10(b) and Exchange Act Rule 10b-5, after he consented to entry of summary judgment.[8]

B. The Commission instituted this proceeding against Vaccarelli in September 2022.

The order instituting proceedings ("OIP") alleges that Vaccarelli was criminally convicted of twenty-one counts of mail, wire, and securities fraud and of money laundering. The OIP initiated proceedings to determine whether the allegations contained therein were true and if any remedial action was appropriate in the public interest. After Vaccarelli filed an answer, the Division moved for summary disposition. The Division seeks a securities industry bar, which Vaccarelli opposes.

II. Analysis

Under Rule of Practice 250(b), a motion for summary disposition may be granted if "there is no genuine issue with regard to any material fact" and the moving party is "entitled to summary disposition as a matter of law."[9] Although Vaccarelli requests that we not impose a bar, he does not object to resolution of this proceeding through summary disposition or request an in-person hearing. For these reasons and the reasons below, we find that the Division has satisfied its burden under the summary disposition standard, that summary disposition is appropriate, and that an in-person hearing is unnecessary in this case.

A. The threshold requirements for imposing an industry bar are satisfied.

Exchange Act Section 15(b) and Advisers Act Section 203(f) authorize the Commission to suspend or bar a person from associating in the securities industry if it finds, on the record after notice and opportunity for hearing, that (1) within ten years of the commencement of the proceeding, the person was convicted of violating the federal mail or wire fraud statutes, or of a crime involving the purchase or sale of any security; (2) at the time of the misconduct, the person

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[7] *See* Judgment in a Criminal Case, *United States v. Vaccarelli*, No. 3:18-cr-00092-JBA (D. Conn. Oct. 30, 2020), ECF No. 167, *aff'd*, No. 20-3768-cr, 2021 WL 4805218 (2d Cir. Oct. 21, 2021); Order on Motion for Order of Restitution, *United States v. Vaccarelli*, No. 3:18-cr-00092-JBA (D. Conn. Dec. 23, 2020), ECF No. 177.

[8] *SEC v. Vaccarelli*, No. 3:17-cv-01471 (CSH), 2023 WL 4273931, at *5-6 (D. Conn. June 29, 2023).

[9] 17 C.F.R. § 201.250(b); *see also ERHC Energy, Inc.*, Exchange Act Release No. 90517, 2020 WL 6891409, at *2 (Nov. 24, 2020) (discussing standard).

was associated with a broker or dealer (for relief under the Exchange Act) or with an investment adviser (for relief under the Advisers Act); and (3) such a sanction is in the public interest.[10]

No genuine issue of material fact exists as to the first two elements. It is undisputed that Vaccarelli was convicted of federal mail and wire fraud and of securities fraud within ten years from when this proceeding was instituted.[11] There is also no dispute that Vaccarelli was associated with a registered broker-dealer and investment adviser at the time of his misconduct.[12] Accordingly, relief is available under both the Exchange and Advisers Acts.

B. We find that barring Vaccarelli from the securities industry is in the public interest.

In determining whether any remedial action is in the public interest, we consider the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.[13] Our public interest inquiry is flexible, and no one factor is dispositive.[14] The remedy is intended to protect the trading public from further harm, not to punish the respondent.[15] Weighing these factors, we find that a securities industry bar is warranted to protect the investing public.[16]

1. Vaccarelli's misconduct was egregious, recurrent, and done with a high degree of scienter.

We find no genuine dispute that Vaccarelli's misconduct was egregious and recurrent. As the district court found at his sentencing, Vaccarelli stole nearly $1.5 million from

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[10] 15 U.S.C. §§ 78o(b)(6)(A), 80b-3(f) (cross-referencing, respectively, Exchange Act Section 15(b)(4), 15 U.S.C. § 78o(b)(4), and Advisers Act Section 203(e), *id.* § 80b-3(e)); *see also id.* § 78o(b)(4)(B)(i), (iv) (discussing convictions involving the purchase or sale of securities or for violating 18 U.S.C. § 1341 or § 1343); *id.* § 80b-3(e)(2)(A), (D) (same).

[11] *See* Exchange Act Section 10(b), 15 U.S.C. § 78j(b) (applying "in connection with the purchase or sale of any security"), Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5 (same).

[12] *See* Vaccarelli BrokerCheck and IAPD reports (reflecting that Vaccarelli was associated with registered broker-dealers and registered investment advisers from October 1999 to August 2017); Judgment, *United States v. Vaccarelli*, ECF No. 167 (specifying that Vaccarelli's "Offense[s] Concluded" between January 2014 and January 2017).

[13] *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

[14] *Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 WL 3864511, at *4 (July 26, 2013).

[15] *McCarthy v. SEC*, 406 F.3d 179, 188 (2d Cir. 2005).

[16] In addition to opposing an industry bar, Vaccarelli requests that we not fine him. The Division has not requested that relief, and monetary sanctions are not at issue in this proceeding.

"15 unwitting" victims, thereby misappropriating their retirements, trust, and savings funds.[17] During his six-year scheme, as the court also found, Vaccarelli went to "shocking" lengths to make his victims believe they were in good hands, including by operating under the "legitimate cover" of TIC, making "Ponzi-type payouts with stolen client funds," and providing his clients with false account statements.[18]

We also find no genuine dispute that Vaccarelli acted with a high degree of scienter.[19] Although Vaccarelli claims that he did not intend to defraud or harm his clients, he admits that he acted with criminal intent.[20] Indeed, he was convicted of mail and wire fraud, which each require a specific intent to defraud.[21] Vaccarelli was also convicted of securities fraud, which required the jury to find that he "acted willfully, knowingly, and with the intent to defraud."[22] And the court's findings that Vaccarelli "carefully concealed" his "very large scheme" from both investors and "institutional oversight and compliance mechanisms"[23] further evidence that he engaged in egregious misconduct with a high degree of scienter.[24]

Vaccarelli seeks mitigation by arguing that the district court overstated the extent of his misconduct when finding that he defrauded 15 investors; he claims he defrauded only nine. Vaccarelli cannot collaterally attack the district court's findings in this proceeding, and, in any event, he concedes that, even with fewer victims, his conduct was still "awful."

Vaccarelli also seeks to mitigate his misconduct by citing the district court's rejection of the Department of Justice's request for a sentencing enhancement for perjury or obstruction of justice based on Vaccarelli's trial testimony. He also contends that he has served his sentence "without any discipline or rule-breaking behavior," a factual assertion we credit for purposes of

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17 Transcript of Sentencing Hearing Via Zoom, Vol. II, *United States v. Vaccarelli*, No. 3:18-cr-00092-JBA, at 141, 186-87 (D. Conn. Oct. 16, 2020), ECF No. 176.

18 *Id*.

19 *See SEC v. Steadman*, 967 F.2d 636, 641-42 (D.C. Cir. 1992) (scienter is "an intent to device, manipulate, or defraud").

20 Vaccarelli also claims that, despite having an incomplete memory of the period of his misconduct, he must have intended to pay back his victims "with future earnings." Vaccarelli, however, presents no evidence that he ever had a means to do so and, regardless of some future hope of making them whole, the record still establishes that he intended to defraud his victims.

21 *See United States v. Philip Morris USA Inc.*, 566 F.3d 1095, 1118 (D.C. Cir. 2009); *United States v. Regan*, 937 F.2d 823, 827 (2d Cir.), *amended*, 946 F.2d 188 (2d Cir. 1991) (same). Money laundering also requires specific intent. *See* 18 U.S.C. § 1956(a)(1)(A) & (B)(i).

22 The court also instructed the jury that this element of criminal securities fraud was the same as the intent elements of mail and wire fraud.

23 *United States v. Vaccarelli*, at 182-83, ECF No. 176.

24 *See, e.g.*, *Shreyans Desai*, Exchange Act Release No. 80129, 2017 WL 782152, at *4 (Mar. 1, 2017) (finding that respondent acted with a high degree of scienter where he knowingly lied to investors to induce them to invest and attempted to conceal his misconduct).

our summary disposition analysis. We find, however, that these circumstances are outweighed by the egregiousness, extent, and duration of his misconduct while employed in the securities industry.[25]

2. An industry bar is in the public interest due to the risk Vaccarelli would reoffend if provided the chance.

Vaccarelli has recognized the wrongful nature of his conduct and made assurances against future violations: He has apologized both in this proceeding and at his criminal sentencing, and he stipulated to entry of judgment in the Commission's civil action. Vaccarelli also represents that he is ashamed of his misconduct and promises never to engage in criminal behavior again. Vaccarelli attributes his actions to alcohol use disorder and other medical conditions, as well as the stresses of caring for his large family with significant needs. He also submitted evidence that he has completed or attended treatment programs while incarcerated, and he claims that he intends to repay his victims entirely.

We nevertheless find that Vaccarelli still presents an unacceptable risk to investors were he to return to the securities industry. Despite his claimed hardships at the time, for example, Vaccarelli still engaged in a long-running, sophisticated fraudulent scheme in which he misappropriated money from multiple investors who trusted him. In doing so, Vaccarelli spent their money for his own personal use, acted with a high degree of scienter, and concealed his conduct for six years. Because Vaccarelli engaged in this scheme despite his health conditions, we also do not agree with him that those same conditions—which Vaccarelli says continue to affect him—would necessarily prevent him from returning to the industry, passing any required examinations, or engaging in future misconduct.[26]

Nor do we agree with Vaccarelli that it would be unnecessary to bar him from the securities industry. He claims that he does not intend to re-enter the industry and, regardless, could not find employment in it given his past misconduct, but his plans can change, and Vaccarelli identifies no alternative employment field.[27] We similarly reject Vaccarelli's claim that sanctioning him in this proceeding would be excessive because of the criminal penalties and civil injunction already imposed against him. Our concern is the future risk to investors. Without a bar, Vaccarelli could seek to reenter the industry in which he worked for close to

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[25] *Cf. Sergey Pustelnik a/k/a Serge Pustelnik*, Exchange Act Release No. 99493, 2024 WL 492422, at *3 (Feb. 8, 2024) (finding it "not mitigating" that respondent did not engage in additional misconduct).

[26] *Cf. Saad v. SEC*, 873 F.3d 297, 303 (D.C. Cir. 2017) (finding that the Commission reasonably determined that claims of personal and professional stress were not mitigating where it concluded that "pattern of . . . prolonged and repeated misbehavior," involving forged documents and deception, "could not be attributed to stress").

[27] Vaccarelli also claims to have already been enjoined from working in the industry in the Commission's civil proceeding, but he was in fact enjoined only from engaging in future securities law violations.

17 years following his release from prison.[28] That possibility presents an unacceptable risk to the public given the egregious, recurrent, and intentional nature of Vaccarelli's misconduct.[29]

We also reject Vaccarelli's argument that we should not bar him because doing so would "publicize" his name and hinder his job prospects on release. The public record already reflects that, for this same misconduct, Vaccarelli has been criminally convicted and enjoined from future violations of the securities laws.[30] This proceeding is also public by design,[31] and the potential harm to a respondent ultimately caused by his own misconduct—such as the loss of money, unemployment, or harm to reputation—is not a mitigating factor.[32]

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The Commission may impose bars to protect the investing public from a respondent's future actions by restricting access to areas of the securities industry where a demonstrated propensity to engage in violative conduct may cause further investor harm. Here, the record

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[28] *Cf. Benjamin Durant, III*, Exchange Act Release No. 96445, 2022 WL 17422581 (Dec. 5, 2022) (finding that respondent's occupation presented opportunities for future violations where he worked in the securities industry for "at least seven years"); *Donald J. Fowler*, Exchange Act Release No. 99084, 2023 WL 8469512, at *3 (Dec. 5, 2023) (imposing industry and penny stock bars after observing that, "if Fowler is sincere in his intent not [to] work in the securities industry, then a bar will impose no substantial burden on him while at the same time protecting the investing public should he change his mind").

[29] *Cf. Martin A. Armstrong*, Advisers Act Release No. 2926, 2009 WL 2972498, at *4 (Sept. 17, 2009) (imposing industry bar after finding a likelihood that, following release from prison, respondent would still be able to re-enter the securities industry where he would confront opportunities to violate the law again).

[30] *See, e.g.*, https://www.justice.gov/usao-ct/pr/waterbury-man-sentenced-more-7-years-federal-prison-15-million-fraud-scheme (announcing Vaccarelli's criminal conviction and sentence); https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25763 ("SEC Obtains Final Judgment Against Former Broker and Investment Adviser Charged with Fraud"); *cf. Altman v. SEC*, 666 F.3d 1322, 1329 (D.C. Cir. 2011) (finding it unclear how "reputational damage would be undone by a lesser sanction given the nature of the improper professional conduct" at issue).

[31] *Vaccarelli*, 2022 WL 4011090, at *1 (finding it "in the public interest that public administrative proceeding" be instituted against Vaccarelli); *see also Dominic A. Alvarez*, Exchange Act Release No. 53231, 2006 WL 328034, at *1 (Feb. 6, 2006) (observing that "[t]he Commission has long underscored the importance of conducting open administrative proceedings"); Rule of Practice 322(c), 17 C.F.R. § 201.322(c) (providing that "[d]ocuments and testimony introduced in a public hearing are presumed to be public").

[32] *See Anthony Fields*, Exchange Act Release No. 74344, 2015 WL 728005, at *22 (Feb. 20, 2015) (collecting cases); *Gary M. Kornman*, Exchange Act Release No. 59403, 2009 WL 367635, at *9 (Feb. 13, 2009) (observing that "[f]inancial loss to a wrongdoer as a result of his wrongdoing does not mitigate the gravity of his conduct" (internal quotation and citation omitted)), *pet. denied*, 592 F.3d 173 (D.C. Cir. 2010).

establishes that Vaccarelli is unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors.[33] Vaccarelli misappropriated nearly $1.5 million from 15 investors, concealing his misconduct for six years. Although he has taken steps to address health issues and apologized for his misconduct, he remains a threat to the public were he to re-enter the industry. We thus conclude that it is in the public interest to bar Vaccarelli from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.[34]

An appropriate order will issue.

By the Commission (Chair GENSLER and Commissioners PEIRCE, CRENSHAW, UYEDA, and LIZÁRRAGA).

Vanessa A. Countryman
Secretary

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[33] *George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at *5 (Jan. 30, 2017) (barring respondent where his misconduct demonstrated that he was unfit to participate in the securities industry and posed a risk to investors); *James Tagliaferri*, Exchange Act Release No. 80047, 2017 WL 632134, at *6 (Feb. 15, 2017) (same).

[34] *Tagliaferri*, 2017 WL 632134, at *6 (finding that the misconduct underlying the respondent's conviction demonstrated that respondent was unfit to participate in the securities industry and posed a risk to investors).

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
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Admin. Proc. File No. 3-21030

In the Matter of

LEON VACCARELLI

ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Leon Vaccarelli is barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

By the Commission.

Vanessa A. Countryman
Secretary