

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67924 / September 25, 2012

INVESTMENT COMPANY ACT OF 1940
Release No. 30213 / September 25, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15046

In the Matter of

**Hold Brothers On-Line Investment
Services, LLC,
Demostrate, LLC,
Trade Alpha Corporate, Ltd,
Steven Hold,
Robert Vallone, and
William Tobias**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934 AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND
CEASE-AND-DESIST ORDERS**

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”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Hold Brothers On-Line Investment Services, LLC (“Hold Brothers”), Steven Hold (“Steve Hold”), Robert Vallone (“Vallone”), and William Tobias (“Tobias”); and that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Exchange Act against Demostrate, LLC (“Demostrate”) and Trade Alpha Corporate, Ltd (“Trade Alpha,” and together with Hold Brothers, Steve Hold, Vallone, Tobias, and Demostrate, the “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and the subject matter of these proceedings, which are admitted, Respondents consent 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 and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

A. SUMMARY

1. As gatekeepers to the capital markets, broker-dealers have a responsibility to establish, maintain, and enforce adequate policies and procedures and risk controls in light of the specific risks associated with the broker-dealer's business. In particular, broker-dealers that provide access to the markets must ensure that they have policies and procedures and systems of controls in place that are reasonably designed to ensure, among other things, compliance with all regulatory requirements that are applicable in connection with the access they provide. These controls must be reasonably designed to identify and prevent, among other things, abusive trading practices. Further, if a broker-dealer identifies suspicious activity, whether through the access it provides or not, it must address such activity in an appropriate and timely manner.

2. From at least January 2009 through September 2010 (the "Relevant Period"), overseas traders who accessed the U.S. markets through respondent Hold Brothers, a registered broker-dealer, engaged in a manipulative trading strategy typically referred to as "layering" or "spoofing" (hereinafter, collectively, "layering"). Hold Brothers failed to adequately monitor for and investigate, in light of red flags, the manipulative trading by these overseas traders. The manipulative trading was profitable.

3. Certain of the overseas traders conducted their manipulative trading on the U.S. markets through two Hold Brothers "customer" accounts, which were accounts of two foreign companies – respondents Trade Alpha and Demostrate – created and partially owned by Steve Hold. Steve Hold funded Demostrate and Trade Alpha, and Demostrate and Trade Alpha provided the capital for the manipulative trading by these traders. Hold Brothers controlled the overseas traders by, among other things, determining and allocating buying power, establishing stop-loss limits, and, through Hold Brothers affiliated personnel, dictating the profit distribution between Demostrate and Trade Alpha and the traders.

4. Throughout the Relevant Period, the three individual respondents – Steve Hold, Vallone, and Tobias – became aware of red flags, including several emails, suggesting that the

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

overseas traders who traded through Hold Brothers were engaging in manipulative trading. The individual respondents recklessly continued to provide traders with buying power and/or access to the U.S. markets, and failed to conduct adequate follow-up despite these warnings. In addition, Hold Brothers failed to make and keep current the requisite records related to certain brokerage orders given or received for the purchase or sale of securities and failed to furnish promptly to the staff certain order records requested by the staff.

5. By virtue of this conduct, (a) Trade Alpha and Demostrate violated Section 9(a)(2) of the Exchange Act; (b) Hold Brothers willfully violated Sections 9(a)(2) and 17(a) of the Exchange Act and Rules 17a-4 and 17a-8 thereunder, and failed reasonably to supervise the Demostrate traders in connection with their violations of the securities laws; (c) Steve Hold, Vallone, and Tobias willfully aided and abetted and caused Hold Brothers', Demostrate's and Trade Alpha's violations of Section 9(a)(2) of the Exchange Act; and (d) Steve Hold failed reasonably to supervise Vallone in connection with Vallone's violations of the securities laws.

B. RESPONDENTS

6. Hold Brothers is a Delaware limited liability company wholly-owned by, among others, respondent Steve Hold. Hold Brothers is a FINRA member that has been registered as a broker-dealer pursuant to Section 15(b) of the Exchange Act since January 1995. Hold Brothers has branch offices in several states, including New York, New Jersey, Pennsylvania, and California.

7. Demostrate is a limited liability company organized under the laws of Nevis. Steve Hold is an owner of Demostrate. Overseas traders who traded for Demostrate were organized in groups by location, and the groups were assigned alpha-numeric identifiers, e.g., P18 or P69.

8. Trade Alpha is a limited liability company organized under the laws of the British Virgin Islands. Steve Hold is an owner of Trade Alpha.

9. Steve Hold, age 41, resides in Warren, New Jersey. Steve Hold is the president and co-founder of Hold Brothers. Steve Hold holds Series 7, 24, 55, and 63 licenses.

10. Tobias, age 43, resides in Hoboken, New Jersey. Tobias is an associated person of Hold Brothers and is the managing member of Demostrate. Tobias holds Series 7, 27, 28, 55, and 63 licenses.

11. Vallone, age 62, resides in Princeton Junction, New Jersey. Until August 2012, Vallone was the Chief Compliance Officer and Chief Financial Officer of Hold Brothers. Vallone holds Series 7, 8, 23, 27, and 63 securities licenses.

C. BACKGROUND

12. During the Relevant Period, Hold Brothers was a limited liability company made up of one Class A member, Hold Brothers, Inc., which was wholly owned by Steve Hold and

another individual, and a number of Class B members who conducted proprietary day trading activities. In addition to the Class B proprietary trading members, Hold Brothers executed trades on behalf of retail customer traders, all of whom engaged in some form of day trading. The firm's primary business was to provide market access to its proprietary and customer traders.

13. The majority of Hold Brothers' Class B proprietary traders were located in the United States, while the majority of Hold Brothers' customer traders were located in other countries. Hold Brothers' proprietary trading business consisted of approximately 40 traders. These proprietary traders traded the firm's capital, were monitored for risk and compliance purposes by Hold Brothers personnel, were licensed by the appropriate self-regulatory organization, were associated persons of the firm, and shared with Hold Brothers profits derived from their trading.

14. The vast majority of Hold Brothers' traders located overseas were associated with one of two "customers," either Trade Alpha in 2009 or Demostrate in 2010 (hereinafter, collectively, "Demostrate" or the "Demostrate traders").² These traders traded Demostrate's capital and were monitored for risk and compliance purposes by personnel of Hold Brothers and a Hold Brothers affiliate. As an owner, Steve Hold shared in the Demostrate trading profits. Unlike Hold Brothers' proprietary traders, however, Hold Brothers did not consider the Demostrate traders to be associated with the firm, nor did any of these traders hold licenses from any self-regulatory organization.

15. Demostrate maintained a brokerage account at Hold Brothers. Demostrate's managing member was Tobias. Demostrate was Hold Brothers' largest "customer," both in terms of the number of trades and revenues generated. All Demostrate trading occurred in a single account held at Hold Brothers. All of the persons who traded through Demostrate's account were located outside the United States, primarily in China. Hold Brothers assisted Demostrate and its traders in accessing the securities markets by providing these foreign traders with access to front-end trading platforms and access to the U.S. securities markets.

D. HOLD BROTHERS CONTROLLED THE DEMOSTRATE TRADERS

16. During the Relevant Period, Demostrate had no physical offices or employees in the U.S. Hold Brothers and Hold Brothers' affiliate employees supervised Demostrate traders and their trading activity. The primary tasks performed by Tobias as Demostrate's managing member included accounting for and distributing trading profits to the Demostrate traders, while monitoring and review of trading was performed by employees of Hold Brothers or Hold Brothers affiliates, at the behest of Hold Brothers. In addition, Hold Brothers affiliated employees negotiated the most important aspect of the relationship between Demostrate and the foreign traders – the amount of the trading profits that the traders could retain.

² Prior to the formation of Demostrate in 2009, Hold Brothers' largest "customer" was Trade Alpha. In late 2009, all of the Trade Alpha traders became authorized traders of Demostrate.

17. Hold Brothers provided each Demostrate trader with buying power representing the aggregate capital each trader was allowed to expend on stock purchases at any given time. Hold Brothers employees established and controlled changes made to buying power for each trader, determined whether buying power would be increased or decreased, and determined the dollar amount of securities a Demostrate trader could buy and/or sell.

18. Hold Brothers and Hold Brothers employees monitored Demostrate traders for daily profit and loss and the amount of risk the positions taken by Demostrate traders posed. In addition, Hold Brothers employees established stop-loss limits to limit the amount of risk a Demostrate trader could assume. If the trader exceeded his or her daily loss limit, Hold Brothers, not Demostrate, shut down the trader.

19. Hold Brothers also performed a limited compliance review of Demostrate trading activity. If, in this review, Hold Brothers determined that a Demostrate trader had engaged in prohibited activity, for example, wash sales or crossed trades, Hold Brothers personnel, not Demostrate personnel, levied sanctions on the Demostrate trader. Punishment ranged from a warning to suspension of trading privileges, and occasionally resulted in Hold Brothers withholding a trader's trading profits. Demostrate had very limited involvement in this disciplinary system.

20. Based on all of the above, the Demostrate traders were controlled by, or under common control with, Hold Brothers, and therefore were associated persons of a broker or dealer, as defined in Section 3(a)(18) of the Exchange Act.

E. THE MANIPULATIVE TRADING SCHEME

21. During the Relevant Period, certain Demostrate traders repeatedly manipulated the markets of U.S. listed and over-the-counter stocks by engaging in the practice of layering.

22. Layering concerns the use of non-bona fide orders, or orders that the trader does not intend to have executed, to induce others to buy or sell the security at a price not representative of actual supply and demand. More specifically, a trader places a buy (or sell) order that is intended to be executed, and then immediately enters numerous non-bona fide sell (or buy) orders for the purpose of attracting interest to the bona fide order. These non-bona fide orders are not intended to be executed. The nature of these orders is to induce, or trick, other market participants to execute against the initial, bona fide order. Immediately after the execution against the bona fide order, the trader cancels the open, non-bona fide orders, and repeats this strategy on the opposite side of the market to close out the position.

23. Certain overseas traders trading for Demostrate engaged in extensive manipulative activity. Such traders induced algorithms to trade in a particular security by placing and then cancelling layers of orders in that security, creating fluctuations in the national best bid or offer of that security, increasing order book depth, and using the non-bona fide orders to send false signals regarding the demand for such security, which the algorithms misinterpreted as reflecting sincere demand. These overseas traders' orders were intended to deceive and did

deceive certain algorithms into buying (or selling) stocks from (or to) the Demostrate traders at prices that had been artificially raised (or lowered) by the Demostrate traders.

Example of Layering by a Demostrate Trader

24. The pattern of layering against algorithmic traders is illustrated by the activity of a Demostrate trader who traded under the identifier “PEBC” in group P69 from Nanjing, China. On June 4, 2010, the trader layered the stock of W.W. Grainger (NYSE: “GWW”) on NASDAQ and the Boston Stock Exchange.

25. That day, at 11:08:55.152 a.m., the trader placed an order to sell 1,000 GWW shares at \$101.34 per share. Prior to the trader placing the order, the inside bid was \$101.27 and the inside ask was \$101.37. The trader’s sell order moved the inside ask to \$101.34. From 11:08:55.164 a.m. to 11:08:55.323 a.m., the trader placed eleven orders offering to buy a total of 2,600 GWW shares at successively increasing prices from \$101.29 to \$101.33. During this time, the inside bid rose from \$101.27 to \$101.33, and the trader sold all 1,000 shares she offered to sell for \$101.34 per share, completing the execution at 11:08:55.333. At 11:08:55.932, less than a second after the trader placed the initial buy order, the trader cancelled all open buy orders. At 11:08:55.991, once the trader had cancelled all of her open buy orders, the inside bid reverted to \$101.27 and the inside ask reverted to \$101.37.

26. Because the trader was now short 1,000 GWW shares, at 11:09:00.881, the trader placed an order to buy 1,000 GWW shares at \$101.30, thereby changing the inside bid to \$101.30. From 11:09:00.929 a.m. to 11:09:01.060 a.m., the trader placed eleven orders offering to sell a total of 2,600 GWW shares at successively decreasing prices from \$101.35 to \$101.31. During this time, the inside ask declined from \$101.37 to \$101.31, and the trader bought all 1,000 GWW shares she offered to buy for \$101.30 per share, completing the execution at 11:09:00.977. At 11:09:01.662, less than a second after the trader placed the initial sell order, the trader cancelled all open sell orders. At 11:09:01.792, once the trader had cancelled all of her open sell orders, the inside bid reverted to \$101.24 and the inside ask reverted to \$101.37. This round trip transaction, which took less than seven seconds to complete, yielded the trader approximately \$40. As described below, this strategy was repeated over and over again.

The Demostrate Traders’ Manipulative Trading was Profitable

27. The manipulative trading consisted of anywhere from 67 percent to 95 percent or more of the overall trading activity in several of the groups of overseas traders trading for Demostrate – and it was profitable. During the Relevant Period, overseas traders trading for Demostrate in the several groups that engaged in layering entered into more than 325,000 layered transactions which corresponded to the entry of more than 8 million layered orders.

28. The two Demostrate trading groups that engaged in the most layering were also the most profitable, cumulatively making the owners of Demostrate approximately \$1.8 million dollars in trading revenue.

29. Because the overseas traders were agents of Demostrate and traded through Demostrate's accounts, the traders' conduct can be imputed to Demostrate. In addition, because Hold Brothers controlled the Demostrate traders, the overseas traders' conduct can be imputed to Hold Brothers.

F. **STEVE HOLD, VALLONE, AND TOBIAS KNEW OR WERE RECKLESS IN NOT KNOWING THAT THE DEMOSTRATE TRADERS WERE ENGAGING IN LAYERING**

30. As early as 2009, Steve Hold, Tobias, and Vallone were on notice that Demostrate traders were engaging in layering and failed to respond sufficiently to red flags informing them of the conduct. Hold Brothers and its personnel, including the individual respondents, periodically solicited information for compliance reviews from the Demostrate traders concerning the traders' manipulative trading strategies. For example:

- In April 2009, a Hold Brothers employee requested from a trader in a Demostrate trading group an explanation of the trader's trading strategy. The trader emailed his strategy to a Chinese-speaking Hold Brothers employee. This employee translated the document and provided it to Vallone, among others. The document describes a layering strategy, including moving the bid and ask prices of securities by entering multiple orders, and the cancellation of the orders after the intended to be executed order was filled.
- In February 2010, a Hold Brothers employee requested from a trader in a Demostrate trading group an explanation of the trader's trading strategy. This employee sent an email to Steve Hold, Vallone, and Tobias, among others, relating a conversation with a Demostrate trader who explained his trading strategy: "float a invisible sell, say at 26.60. . . . Then they will float a few visible buys at 26.40, 26.41, 26.42, etc. At some point, someone will hit that floating invisible sell at 26.60. Then they'll reverse the course to cover the short position."
- In May 2010, a Hold Brothers employee requested from a trader in a Demostrate trading group an explanation of the trader's trading strategy. This employee sent an email to Steve Hold, Vallone, and Tobias, among others, discussing the trading strategy of several Demostrate traders, stating that the traders "will try to float both buy and sell orders in-between the current inside bid and ask price. . . . [Then] they will try to push the price down, and then up to make the spread back and forth."

31. Despite these and other red flags, Steve Hold, Vallone, and Tobias did not take sufficient steps to determine whether the strategies identified above accurately reflected the trading or whether the trading strategies themselves were manipulative, particularly in light of language in emails such as "push the price down, and then up."

32. Hold Brothers and the individual respondents were also informed by FINRA and national securities exchanges – that is, organizations that either regulate Hold Brothers or handle the orders that Hold Brothers places in the marketplace – that potentially manipulative trading was occurring at Demostrate. For example:

- In May 2009, a Hold Brothers senior executive wrote two separate emails to Steve Hold, among others, noting that he had fielded complaints from two exchanges involving “massive amounts of orders and cancelling” and traders “who were trying to make a stock look active by sending/canceling a lot of orders.” The senior executive wrote, “from a compliance perspective the problem with this is, when you send an order, you have to send it in good faith that it will be filled.”
- In February 2010, in an effort to develop a new compliance report to detect improper trading behavior, a series of internal emails among various Hold Brothers executives, including Vallone, noted that “the SEC is now investigating spoofing incidents . . . and we have been asked to be proactive about this problem.” After a discussion of the proper definition of spoofing, a manager asked, “[w]ouldn’t [Demostrate trading group] P69 (Sterling) be guilty of this?”
- In late March 2010, Hold Brothers received an inquiry from FINRA, which was described in an email as a “spoofing inquiry.” After a follow-up call with FINRA in April 2010, a senior Hold Brothers executive emailed Steve Hold, Vallone, and Tobias describing FINRA’s concern about possible spoofing by three Demostrate traders during March 2010.

33. Despite receiving such correspondence, which constituted red flags, Steve Hold, Vallone, and Tobias failed to take sufficient steps to conduct an appropriate review of the trading practices at Demostrate.

34. Hold Brothers was on notice during the Relevant Period that certain trading groups of Demostrate generated a high number of cancelled orders and that those cancellations were suspicious. In April 2010, another Hold Brothers employee informed Steve Hold and Tobias about the high number of orders entered and then cancelled by three Demostrate traders in the P18 trading group. This employee noted that “all the cancels is a problem.” The next day, Steve Hold asked his staff to check order and execution data to determine what percentage of orders were cancelled for one Demostrate trading group. Trading group P69 was chosen for review. The review showed that the 55 traders in the group had entered 52,000 executed orders for 11 million shares but, during the same period, had cancelled 152,000, or nearly three times as many orders for 21 million shares. Despite identifying the activity as “a problem,” Respondents failed to take sufficient steps to identify the reason for these cancellations.

35. Based on the red flags set forth above, the Respondents knew or were reckless in not knowing that certain of the Demostrate overseas traders were engaging in layering. Neither Hold Brothers nor any of the individual respondents took sufficient action to stop the conduct. On the contrary, notwithstanding the red flags, Hold Brothers, through Steve Hold, Vallone, and Tobias, continued to provide certain of the Demostrate traders with access to trading platforms

and the ability to access the U.S. capital markets. Steve Hold continued to fund Demostrate, and Demostrate continued to provide trading capital to Demostrate traders. Tobias, as managing member of Demostrate, assisted in establishing the Demostrate account and continued to provide buying power to the traders, approve traders for trading, and manage the flow of funds to the traders. Vallone failed to take sufficient corrective action despite receiving emails directed to him asking him to weigh in on the appropriateness of the activity and telling him that he needed to address the significant red flags raised by the trading.

G. HOLD BROTHERS FAILED REASONABLY TO SUPERVISE THE DEMOSTRATE TRADERS

36. While Hold Brothers did have systems in place to monitor Demostrate traders' trading, these systems were used primarily to monitor for risk of loss. Hold Brothers lacked adequate surveillance systems and lacked reasonable procedures to prevent or detect the manipulative layering trading by certain of the Demostrate traders who were associated persons of Hold Brothers. Until the latter part of 2010, Hold Brothers did not have systems that reviewed excessive order cancellations, and did not have the capability to fully review order and execution data for most trades.

37. Hold Brothers had few, if any, exception reports adequately designed to catch manipulative trading. Further, when Hold Brothers personnel did identify potential red flags, Hold Brothers staff failed to implement the procedures that did exist – as is evidenced by the failure of Steve Hold, Vallone, and Tobias to sufficiently address the numerous red flags. If Hold Brothers had established and implemented reasonable policies and procedures with respect to surveiling for manipulative trading activity, it is likely that they would have prevented and detected the Demostrate traders' violations of Section 9(a)(2).

H. STEVE HOLD FAILED REASONABLY TO SUPERVISE VALLONE

38. Steve Hold was Vallone's supervisor. Steve Hold received the emails indicating possible manipulative trading by the overseas traders, knew that Vallone had been asked to review this trading to determine whether it was manipulative, and that inaction by Vallone could aid any manipulative trading by the Demostrate traders. Steve Hold failed to ensure that Vallone took steps to determine if the manipulative trading occurred, and failed to sufficiently review Vallone's response to the red flags to ensure that Vallone was not aiding manipulative trading by the Demostrate traders. If Steve Hold had reasonably supervised Vallone, it is likely that he would have prevented and detected Vallone's aiding and abetting violations of Section 9(a)(2).

I. HOLD BROTHERS FAILED TO FILE SUSPICIOUS ACTIVITY REPORTS FOR SUSPICIOUS TRADING

39. During the Relevant Period, Hold Brothers failed to file a single Suspicious Activity Report (“SAR”). Hold Brothers failed to file a single SAR despite numerous instances in which traders described their trading strategy to Hold Brothers personnel, which should have raised red flags that the trading was manipulative, and despite the firm detecting wash trading and other suspicious trading involving transactions that totaled over \$5,000.

40. Hold Brothers’ failure to file SARs in any of these instances is contrary to its own compliance policies and procedures. Hold Brothers’ policies and procedures relating to its anti-money laundering program instruct firm personnel to file SARs for any suspicious activity conducted or attempted through Hold Brothers and involving or aggregating \$5,000 or more of funds or assets if the activity, among other things, “has no business or apparent lawful purpose.”

J. HOLD BROTHERS FAILED TO PRESERVE AND FURNISH ORDER INFORMATION

41. In December 2010, Hold Brothers received a subpoena from the staff asking the firm to produce order and execution data for certain Demostate trading groups on various dates in 2009 and 2010. Hold Brothers did not produce order and execution data until July 2011, and subsequently informed the staff that the production was incomplete because records covering a two-month period in 2009 were missing.

42. In May 2011, Hold Brothers informed the manufacturer of the trading system used by the majority of the Demostate traders of “data gaps” in its records, and requested assistance. On July 1, 2011, Hold Brothers made yet another production of order and execution data to the staff. This production, while containing some of the previously unproduced data for 2009, was still not complete, as it lacked data for August and September of 2009. Ultimately, Hold Brothers informed the staff that it could not produce the data for any trading day during those two months.

K. VIOLATIONS

43. As a result of the conduct described above, Demostate and Trade Alpha violated Section 9(a)(2) of the Exchange Act, which prohibits any person from “effect[ing], alone or with one or more other persons, a series of transactions in any security . . . creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.”

44. As a result of the conduct described above, Hold Brothers willfully violated Section 9(a)(2) of the Exchange Act, which prohibits any person from “effect[ing], alone or with one or more other persons, a series of transactions in any security . . . creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.”

45. As a result of the conduct described above, Hold Brothers willfully violated Section 17(a) of the Exchange Act, which requires, in pertinent part, that registered brokers or dealers make and keep for prescribed periods records that the Commission deems necessary or appropriate in the public interest for the protection of investors, and certain rules adopted under Section 17(a), including (i) Rule 17a-4(b)(1), which requires that registered brokers and dealers preserve for a period of not less than three years, the first two years in an easily accessible place, among other things, “a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted,” (ii) Rule 17a-4(j), which requires that registered brokers and dealers “furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records” that are required to be preserved under Section 17(a), and (iii) Rule 17a-8, which requires that brokers and dealers comply with the reporting, recordkeeping, and record retention requirements of the rules promulgated under the Currency and Financial Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), 12 U.S.C. §1829b, 12 U.S.C. §§1951-1959, and 31 U.S.C. §§5311-5330.

46. As a result of the conduct described above, Hold Brothers failed reasonably to supervise their associated persons, the Demostrate traders, within the meaning of Section 15(b)(4)(E) of the Exchange Act with a view to preventing and detecting their violations of Section 9(a)(2) of the Exchange Act.

47. As a result of the conduct described above, Steve Hold, Vallone, and Tobias willfully aided and abetted and caused Demostrate’s, Trade Alpha’s, and Hold Brothers’ violations of Section 9(a)(2) of the Exchange Act, which prohibits any person from “effect[ing], alone or with one or more other persons, a series of transactions in any security . . . creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.”

48. As a result of the conduct described above, Steve Hold failed reasonably to supervise Vallone within the meaning of Section 15(b)(4)(E) of the Exchange Act, as incorporated by reference in Section 15(b)(6) of the Exchange Act, with a view toward preventing and detecting Vallone’s violation of the federal securities laws.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents’ Offers.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondents Demostrate and Trade Alpha shall cease and desist from committing or causing any violations and any future violations of Section 9(a)(2) of the Exchange Act.

B. Pursuant to Section 21C of the Exchange Act, Respondent Hold Brothers shall cease and desist from committing or causing any violations and any future violations of (i) Section 9(a)(2) of the Exchange Act, and (ii) Section 17(a) of the Exchange Act and Rules 17a-4 and 17a-8 thereunder.

C. Pursuant to Section 21C of the Exchange Act, Respondents Steve Hold, Vallone, and Tobias shall cease and desist from committing or causing any violations and any future violations of Section 9(a)(2) of the Exchange Act.

D. Pursuant to Section 15(b) of the Exchange Act and Section 9(b) of the Investment Company Act, Respondents Vallone and Tobias be, and hereby are:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

E. Pursuant to Section 15(b) of the Exchange Act and Section 9(b) of the Investment Company Act, Respondent Steve Hold be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock

with the right to apply for reentry after two (2) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

F. Pursuant to Section 15(b) of the Exchange Act, Respondent Steve Hold be, and hereby is, barred from association in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

G. Pursuant to Section 15(b) of the Exchange Act, Respondent Hold Brothers is censured.

H. Any reapplication for association by Respondents Steve Hold, Vallone, and Tobias will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Respondents Steve Hold, Vallone and Tobias, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

I. Respondent Hold Brothers shall pay disgorgement of \$629,167 plus agreed upon post-Order interest of \$9,285.22 pursuant to SEC Rule of Practice 600, for a total of \$638,452.22, to the United States Treasury. Payment of disgorgement and interest shall be made in five (5) installments according to the following schedule:

- Payment 1, in the amount of \$125,833.40, due within ten (10) days of the entry of this Order.
- Payment 2, in the amount of \$129,546.52, due within ninety (90) days of the entry of this Order.
- Payment 3, in the amount of \$128,618.24, due within one hundred eighty (180) days of the entry of this Order.
- Payment 4, in the amount of \$127,689.96, due within two hundred seventy (270) days of the entry of this Order.
- Payment 5, in the amount of \$126,764.10, due within three hundred sixty (360) days of the entry of this Order.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, plus any additional interest accrued pursuant to SEC Rule of Practice 600, shall be due and payable immediately, without further application. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Respondent may also pay by certified check, bank cashier's check, or United States postal

money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the file number of these proceedings; Hold Brothers as a respondent in these proceedings; and specifying that payment is made pursuant to this Order. A copy of the cover letter and money order or check shall be sent to Sanjay Wadhwa, Associate Director and Deputy Chief, Market Abuse Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281-1022.

J. Respondent Hold Brothers shall pay a civil money penalty in the amount of \$1,887,500 plus agreed upon post-Order interest of \$9,285.22 pursuant to 31 U.S.C. 3717, for a total of \$1,896,785.22, to the United States Treasury. Payment of penalty and interest shall be made in five (5) installments according to the following schedule:

- Payment 1, in the amount of \$377,500, due within ten (10) days of the entry of this Order.
- Payment 2, in the amount of \$381,213.11, due within ninety (90) days of the entry of this Order.
- Payment 3, in the amount of \$380,284.84, due within one hundred eighty (180) days of the entry of this Order.
- Payment 4, in the amount of \$379,356.56, due within two hundred seventy (270) days of the entry of this Order.
- Payment 5, in the amount of \$378,430.71, due within three hundred sixty (360) days of the entry of this Order.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Respondent may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the file number of these proceedings; Hold Brothers as a respondent in these proceedings; and specifying that payment is made pursuant to this Order. A copy of the cover letter and money order or check shall be sent to Sanjay Wadhwa, Associate Director and Deputy Chief, Market Abuse Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281-1022.

K. Respondent Demostrate shall, within ten (10) days of the entry of this Order, pay disgorgement in the amount of \$1,258,333 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Respondent may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the file number of these proceedings; Demostrate as a respondent in these proceedings; and specifying that payment is made pursuant to this Order. A copy of the cover letter and money order or check shall be sent to Sanjay Wadhwa, Associate Director and Deputy Chief, Market Abuse Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281-1022.

L. Respondents Steve Hold, Vallone, and Tobias each shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Each Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Each Respondent may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the file number of these proceedings; Steve Hold's, Vallone's, or Tobias' name as a respondent in these proceedings; and specifying that payment is made pursuant to this Order. A copy of the cover letter and money order or check shall be sent to Sanjay Wadhwa, Associate Director and Deputy Chief, Market Abuse Unit, Division of Enforcement, U.S. Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281-1022.

By the Commission.

Elizabeth M. Murphy
Secretary