

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3405 / May 17, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14884

In the Matter of

Belal K. Faruki,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS PURSUANT
TO SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, MAKING FINDINGS,
AND IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Belal K. Faruki (“Faruki” 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, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

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

1. From at least January 2010 through August 2011, Faruki operated and was the majority owner of Neural Markets, LLC ("Neural Markets"), an investment adviser. Faruki and Neural Markets solicited investors to purchase interests in the Evolution Quantitative 1X Fund ("Fund"), for which Neural Markets served as the manager. In or about September 2010, as a result of the representations and omissions of Faruki and Neural Markets, an individual wired \$1 million into a bank account controlled by Neural Markets and Faruki to purchase interests in the Fund. At all relevant times, Faruki was a resident of Illinois. Faruki is 40 years old.

2. On April 11, 2012, a Judgment of Permanent Injunction and Other Relief, was entered against Faruki and Neural Markets, permanently enjoining them from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Section 206(4) of the Advisers Act and Rule 206-4(8) thereunder in the civil action entitled Securities and Exchange Commission v. Faruki, et al., No. 11 C 5406, in the United States District Court for the Northern District of Illinois ("District Court Litigation").

3. The Commission's complaint in the District Court Litigation alleges that beginning as early as January 2010 and continuing through at least the initiation of the District Court Litigation, Faruki and Neural Markets presented themselves as managers of a start-up quantitative hedge fund that began trading in 2009, that was managing millions of dollars on behalf of wealthy investors, and had a track record of sustained success. The complaint further alleges that, through their scheme, Faruki and Neural Markets defrauded at least one investor ("Investor") out of a \$1 million and solicited other investors as well. The complaint alleges, among other things, that Faruki and Neural Markets made numerous material misrepresentations and omissions to the Investor, including (but not limited to) the following: (a) that Faruki, through Neural Markets, created a quantitative hedge fund that was actively trading and had a successful track record of positive performance since at least December 2009; (b) that Faruki and Neural Markets traded securities for the Fund through prime brokers J.P. Morgan Securities, Inc. and Tradestation Securities, Inc. prior to September 2010; (c) that other wealthy individuals had invested approximately \$5 million with Faruki and Neural Markets and those funds were being traded by them, but that they could not reveal the investors' identities because of confidentiality restrictions; (d) that Faruki had invested his own money in the fund and his interests were aligned with the interests of the other supposed investors; (e) that Neural Markets and Faruki engaged RSM McGladrey, Inc. ("McGladrey"), to perform audit services for the Fund and that McGladrey would provide quarterly and annual audited financial statements; and (f) that, as of September 2010, Faruki had only been involved in five court or regulatory proceedings when, in fact, Faruki was a party to numerous additional lawsuits. The complaint alleges that many

of the misrepresentations and omissions described above were made to the Investor by Faruki and Neural Markets in August and September 2010.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Offer submitted by Faruki.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(f) of the Advisers Act, that Respondent Belal K. Faruki be, and hereby is, barred from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

Any reapplication for association by Respondent Belal K. Faruki 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 the Respondent, 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.

By the Commission.

Elizabeth M. Murphy
Secretary