

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10419 / September 28, 2017

SECURITIES EXCHANGE ACT OF 1934
Release No. 81752 / September 28, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18233

In the Matter of

LAURENCE M. TORRES,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND 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 Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Laurence M. Torres (“Torres” 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, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and 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

Respondent

1. **Torres**, 39, resides in West Mifflin, Pennsylvania. Torres was associated with Alexander Capital, L.P. ("Alexander Capital") as a registered representative from June 18, 2012 until October 17, 2014, when he left to join another broker-dealer where he remained until September 2016. While at Alexander Capital, Torres worked in the Staten Island branch, until its closure in June 2014, and then worked in the Manhattan branch until he left the firm.

Other Relevant Entity

2. **Alexander Capital** is a Delaware limited partnership with its main office in New York, New York. It has been registered with the Commission as a broker-dealer since June 13, 1996.

Background

3. From August 2012 through September 2014, Torres violated the antifraud provisions of the federal securities laws by recommending a high-cost pattern of frequent trading that he had no reasonable basis to believe would be suitable for eight of his customers or for anyone, by making material misrepresentations and omissions regarding the high-cost pattern of frequent trading that he recommended to those customers, by churning those customer accounts and by engaging in unauthorized trading therein.

4. First, for eight customers, Torres recommended a high-cost pattern of frequent trading that he had no reasonable basis to believe was suitable for those customers or for anyone. The high-cost pattern of frequent trading implemented by Torres was almost certain to result in losses if implemented in any account and did produce losses in the accounts of all eight customers.

5. Alexander Capital charged customers a fixed "commission/handling" fee of \$39 and later \$49 per trade. Separately, Torres determined, on a trade-by-trade basis, the amount to charge in commissions on agency trades and mark-ups and mark-downs on principal trades. The commissions, mark-ups and mark-downs charged to the eight customers on individual trades were often above 3% for equity trades. Torres received a percentage of the commissions, mark-ups and mark-downs as compensation, with the balance retained by Alexander Capital.

6. Torres' high-cost pattern of frequent trading that he recommended served to enrich himself at the expense of those eight customers. In view of the commission structure and the short

¹ 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.

holding periods, which averaged just 18 days, there was virtually no chance of a customer achieving even a minimal profit.

7. Torres recommended to these customers a high-cost pattern of frequent trading involving sales and use of the sale proceeds to purchase other stocks. Torres solicited almost every trade to the eight customers and they followed almost all of Torres' recommendations. The solicited trades executed by Torres were mostly in-and-out trades that generated losses for his eight customers and commission income for himself. Most of the accounts of the eight customers were closed in less than one year and all were closed in less than two years.

8. In total, the eight customers experienced losses of approximately \$640,904.

9. As a result of Torres' recommended high-cost pattern of frequent trading, the eight customers incurred trading costs of approximately \$531,742. In fact, the customer accounts were not profitable and customer losses ranged from \$3,203 to \$199,530, when commissions and other costs are considered. Torres knew or was reckless in not knowing that his recommendations were causing substantial losses to those customers.

10. Torres knowingly or recklessly disregarded the fact that the high-cost pattern of frequent trading he recommended had virtually no chance of generating any profit for eight customers.

11. Second, Torres made material misrepresentations and omissions regarding the high-cost pattern of frequent trading that he recommended to the eight customers. Torres failed to disclose to the eight customers that the pattern of frequent trading that he recommended, combined with the high per-trade transaction costs, was extremely likely to cause losses. This was clearly material information that any reasonable investor would want to know prior to investing.

12. Third, Torres churned the brokerage accounts of at least three of the eight customers. The trading in the accounts was excessive in light of the customers' investment objectives, and as indicated by the high annualized cost-to-equity ratios (between 63% and 113%) and turnover rates (between 18 and 37) for each of these accounts.² The accounts were non-discretionary, meaning that the customer was supposed to make all trading decisions and Torres could not execute a transaction without customer authorization prior to the trade. Torres exercised *de facto* control over these non-discretionary accounts because the customers rarely, if ever, suggested an investment idea, nor did they reject any of Torres' recommendations. Torres acted with willful and reckless disregard for these customers' interests.

² An annualized turnover rate is the number of times per year a customer's securities are replaced by new securities. The cost-to-equity ratio reflects the rate of return necessary for an account to break even after considering the cost of commissions. A turnover rate that exceeds six, or a cost-to-equity ratio that exceeds 20%, is considered to be indicative of excessive trading.

13. Fourth, although the accounts were non-discretionary, Torres executed trades without seeking prior authorization from at least four of the eight customers and thereby executed unauthorized trades in their accounts. Torres communicated with his customers almost exclusively by telephone. A comparison of trading and the firm's phone records revealed large numbers of trades for all four customers had no call with the customer in advance of the trade, as would be required for a non-discretionary account.

14. As a result of the conduct described above, Torres willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b)(6) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Torres cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Torres 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; and

barred from participating in any offering of a 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.

C. Any reapplication for association by the Respondent 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.

D. Torres shall, within ten (10) days of the entry of this Order, pay disgorgement of \$225,359.36, prejudgment interest of \$25,748.02, and a civil money penalty in the amount of \$160,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Laurence M. Torres as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, Brookfield Place, 200 Vesey Street, Suite 400, New York, New York 10281-1022.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree

or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary