

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11066 / May 24, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20870

In the Matter of

**TRADEZERO AMERICA,
INC.,**

and

DANIEL PIPITONE

Respondents.

**CORRECTED ORDER INSTITUTING
CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against TradeZero America, Inc. (“TradeZero”) and Daniel Pipitone (collectively, “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, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant To Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

III.

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

Respondents

1. TradeZero America, Inc., incorporated in Delaware in 2015, is a broker-dealer registered with the Commission since September 7, 2016. Its principal place of business is in Brooklyn, New York. TradeZero has been providing online brokerage services to investors in the United States since April 2019.

2. Daniel Pipitone, 47 years old, is a resident of Brooklyn, New York. He is a cofounder and registered representative of TradeZero. He owns approximately 24% of TradeZero Holding Corp. and is a board member of TradeZero Holding Corp, TradeZero, and TradeZero USA, Inc. From July 2019 through the present, Pipitone has been a registered representative associated with TradeZero.

Related Entities

3. TradeZero USA, Inc., incorporated in Florida in 2018, owns 100% of TradeZero.

4. TradeZero Holding Corp., incorporated in Delaware in 2018, owns 100% of TradeZero USA, Inc.

Background

5. In late January 2021, extraordinary trading volume in multiple securities (later dubbed "meme stocks") led to extreme price volatility in these issues, which included GameStop Corp. (GME), AMC Entertainment Holdings, Inc. (AMC), and Koss Corporation (KOSS).

6. On the morning of January 28, 2021, TradeZero's clearing broker instructed all of its introducing brokers, including TradeZero, to halt all purchases in GME, AMC, and KOSS (sales of these tickers were not halted). TradeZero refused to implement this instruction for over two hours, allowing its customers to freely trade. Under increasing pressure from the clearing broker, TradeZero's Board of Directors, which included Pipitone, decided to implement the restriction. About ten minutes after implementing the instruction, a representative of the clearing broker called Pipitone to inform him that the clearing broker was lifting the restrictions. TradeZero then resumed allowing its customers to purchase GME, AMC, and KOSS equities.

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.

**TradeZero and Pipitone Misstated or Omitted Facts Regarding
TradeZero's Trading Restriction**

7. After the trading restriction concluded, Pipitone and TradeZero, in certain instances, publicly described TradeZero's resistance to the clearing broker's demand to restrict trading but omitted to state that TradeZero, in fact, complied for a short time and restricted trading to liquidating trades only.

8. TradeZero decided that Pipitone would conduct an "ask me anything" session ("AMA") on the Reddit community wallstreetbets. This community played a prominent role in the contemporaneous meme-stock phenomenon. TradeZero and Pipitone believed that the AMA was an opportunity to solicit customers to TradeZero and have those customers trade through TradeZero.

9. On January 29, 2021, Pipitone conducted the AMA on the wallstreetbets community. In this AMA, he emphasized TradeZero's resistance to the clearing broker's instruction to restrict purchases of the symbols, but omitted that TradeZero did comply with the instruction for about ten minutes. For example, Pipitone said in the AMA "That some trading firms are blocking these symbols is disgusting, unprecedented. . . . Our clearing firm tried to make us block you and we refused. After three hours on the phone they backed down." Pipitone failed to disclose that TradeZero also blocked three symbols, and the clearing broker lifted the restrictions ten minutes after TradeZero complied with them. Similarly, Pipitone stated in the AMA that he told the clearing broker "theres [sic] NO WAY we are shutting these off." He failed to disclose that TradeZero did comply with the clearing broker's demands and shut off its customers' ability to purchase three securities in question for a period of time. Pipitone promised "A leadership team that will go thermonuclear on clearing firms if they try to block your trades. Screw everyone that rolled over on this," while omitting that TradeZero also did comply with the clearing broker's instruction to restrict three symbols.

10. In addition to the AMA, on January 29, 2021, TradeZero issued a press release promoting its resistance to the clearing broker's restrictions. The press release noted a tremendous increase in TradeZero's accounts. It quoted Pipitone as stating, "Word circulated on Thursday that TradeZero America retail clients were able to trade in stocks that had been restricted by...other retail-oriented brokers." The press release omitted, however, that TradeZero also restricted customers' ability to purchase certain securities for about ten minutes despite TradeZero's awareness that it did so. The purpose of this press release was to attract more customers and for those customers to trade with TradeZero.

11. Pipitone also discussed TradeZero's opposition to the clearing broker's restrictions in several media interviews. In one Pipitone stated, "We are one of the few firms to not restrict these stocks," even though TradeZero did, in fact, restrict purchases of the stocks for about ten minutes. In a later interview, on February 3, 2021, Pipitone did acknowledge that TradeZero restricted customers' ability to purchase certain securities.

12. TradeZero experienced an influx of business in the wake of this marketing effort. During the 36-hour period that included the halt, TradeZero's press release, and Pipitone's Reddit

appearance of January 29, 2021, TradeZero's new account applications were more than two hundred times greater than its daily average for new applications over the prior year.

13. At the time that Pipitone made these statements, he knew that TradeZero had restricted trading to liquidating trades for about ten minutes but did not disclose this restriction.

14. Information regarding TradeZero's trading restrictions would have been material to investors because investors were concerned with trade restrictions. TradeZero's marketing strategy was to distinguish itself from brokers that had restricted trading and thereby influence investors' decisions about which broker to use. In various communications, new customers of TradeZero expressed that they valued TradeZero's purported refusal to comply with restrictions on the purchase of meme stocks.

15. As a result of the conduct described above, Respondents violated Sections 17(a)(2) and (3) of the Securities Act. Proof of scienter is not required to establish a violation of Sections 17(a)(2) or 17(a)(3). *Aaron v. SEC*, 446 U.S. 680, 697 (1980).

Undertakings

16. TradeZero shall retain, within sixty (60) days of the Order, at its expense, an Independent Compliance Consultant ("ICC") not unacceptable to the Commission's staff, to conduct a review of TradeZero's implementation of its compliance policies and procedures, relating to TradeZero's marketing that contains, or reasonably would be expected to contain, information material to TradeZero or its customers.

17. TradeZero shall provide to the Commission staff, within thirty (30) days of retaining the ICC, a copy of an engagement letter detailing the ICC's responsibilities, which shall include reviews to be made by the ICC as described in paragraph 18 of this Order.

18. TradeZero shall require that, within thirty (30) days from the end of the ICC's Review, which in no event will be more than ninety (90) days after the date of the consultant's retention, the ICC shall submit a written and dated report of its findings to the Commission staff (the "Report"). TradeZero shall require that the Report include a description of the review performed, the names of individuals who performed the review, the conclusions reached, any recommendations for changes in or improvements to the enforcement of TradeZero's policies and procedures, and a procedure for implementing the recommended changes in or improvements to the enforcement of TradeZero's policies and procedures. The ICC shall, in particular, recommend a process for the review and approval of marketing material that contains, or reasonably would be expected to contain, information material to TradeZero or its customers.

19. Within ninety (90) days of receipt of the Report, TradeZero shall adopt and implement all recommendations contained in the report; provided, however, that within thirty (30) days of TradeZero's receipt of the Report, TradeZero may, in writing, advise the ICC and the Commission staff of any recommendations that it considers unnecessary, unduly burdensome,

impractical or inappropriate. With respect to any such recommendation, TradeZero need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose. As to any recommendation on which TradeZero and the ICC do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) days after TradeZero provides the alternative procedures described above. In the event that TradeZero and the ICC are unable to agree on an alternative proposal, TradeZero and the ICC shall jointly confer with the Commission staff to resolve the matter. In the event that, after conferring with the Commission staff, TradeZero and the ICC are unable to agree on an alternative proposal, TradeZero will abide by the recommendations of the ICC

20. TradeZero will require the ICC to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the ICC shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with TradeZero, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the ICC will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the ICC in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with TradeZero, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

21. The reports by the ICC will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

22. TradeZero shall certify, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Melissa Robertson, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

23. For good cause shown and upon timely application by TradeZero, the Commission staff may extend any of the procedural dates set forth in this undertaking.

IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondents cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and (3) of the Securities Act.

B. Respondents shall comply with the undertakings enumerated in Paragraphs 16-23 above.

C. Respondent TradeZero shall, within fourteen days of the entry of this Order, pay a civil money penalty in the amount of \$100,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

D. Respondent Daniel Pipitone shall, within fourteen days of the entry of this Order, pay a civil money penalty in the amount of \$25,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment by each Respondent 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 TradeZero America, Inc. or Daniel Pipitone, respectively, 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 Melissa Hodgman, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent(s) by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

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 Pipitone, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Pipitone 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 Pipitone 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.

Vanessa A. Countryman
Secretary