

**NASD
OFFICE OF HEARING OFFICERS**

Department of Market Regulation,

Complainant,

v.

Ernest Viola
(CRD No. 2719728),

Respondent.

Disciplinary Proceeding
No. 20042000053-02
Hearing Officer: AWH

**ORDER ACCEPTING
OFFER OF SETTLEMENT OF
ERNEST VIOLA**

Date: November 8, 2006

Disciplinary proceeding number 20042000053-02 was filed on April 10, 2006 by the Department of Market Regulation of NASD ("Complainant"). On September 5, 2006, Complainant filed an Amended Complaint. Respondent Ernest Viola ("Respondent" or "Viola") submitted an Offer of Settlement ("Offer") to Complainant on October 4, 2006. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of findings and violations consistent with the allegations set forth in the Amended Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will

become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Ernest Richard Viola, age 59, lives in Peekskill, New York. Viola was first employed in the securities industry in the late 1960's for two years. He returned to the industry in 1996 to Prudential Securities Incorporated where he was registered as a general securities representative from February 1996 through January 1997. Viola was employed from January 1998 to February 1998 and again for one month in June 1998 as a general securities representative at New Times Securities Services, Inc. In June 1998, he moved to PMG Securities Corporation where he was registered as a general securities representative through June 2001. In June 2001, Viola moved to Trinix Securities, Inc., where he passed the Series 24 exam and became registered as a general securities principal and served as the firm's compliance and operations officer for approximately one year.

In June 2002, Viola moved to Great Eastern Securities, Inc. ("Great Eastern") and served as a general securities principal and director of compliance until his termination in June 2003. After leaving Great Eastern, Viola was employed as a registered representative at Edgetrade.com, Inc. from July 2003 to November 2004. Although not currently registered with an NASD member, Viola remains subject to NASD jurisdiction pursuant to Article V, Section 4 of NASD By-Laws.

FINDINGS AND CONCLUSIONS¹

It has been determined that the Offer be accepted and that findings be made as follows:

Between approximately July 2002 and July 2003, Viola was director of compliance at Great Eastern and the designated principal with responsibility for maintaining and enforcing the firm's supervisory system and written supervisory procedures. Viola also shared responsibility for supervising registered representative Taihwa Terry Ho ("Ho").

During this period, Viola, failed to: (1) monitor and inspect Ho's off-site office; (2) enforce effective procedures to supervise Ho's outside business activities; (3) enforce procedures for the daily review of all of Ho's customers' securities transactions; and (4) accurately identify Ho's supervisors in the firm's written supervisory procedures as well as the specific areas of supervision for which the supervisors were responsible. As a result of these deficiencies, manipulative trading activity in Ho's customer accounts and Ho's undisclosed outside business activities went undetected by the firm. Based on the foregoing, Respondent Viola violated NASD Conduct Rules 2110 and 3010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD of its regulatory responsibility under the Securities Exchange Act of 1934.

¹ The findings herein are pursuant to Respondent Viola's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

SANCTIONS

It is ordered that Respondent Viola shall be:

1. Barred from association with any NASD member in the capacity of General Securities Principal;
2. Suspended from association with any NASD member in all capacities for a period of 60 calendar days; and
3. Fined \$5,000. The fine shall be due and payable either immediately upon reassociation with a member firm following the 60 calendar-day suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

By: 

Cameron K. Funkhouser
Senior Vice President
Market Regulation Department

On behalf of the Director of ODA,
pursuant to delegated authority