

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Giovanni Ferrara,
CRD No. 2862151,

Respondent.

Disciplinary Proceeding
No. 20090166407-01

Hearing Officer Matthew Campbell

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: _____

INTRODUCTION

Disciplinary Proceeding No. 20090166407-01 was filed on May 16, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent Giovanni Ferrara ("Ferrara") submitted an Offer of Settlement ("Offer") to Complainant dated June 29, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA 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 FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the 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 FINRA.

BACKGROUND

Respondent entered the securities industry in 1997 as an associated person of a former FINRA registered organization. Respondent obtained his Series 7 and 63 securities licenses in 1997, his Series 24 securities license in 2000 and his Series 55 securities license in 2002. Between 1997 and 2010, Respondent was employed by six former FINRA registered broker-dealers.

In or about August 2001, Respondent became the President of NobleTrading, a small broker-dealer that provided on-line trading services to its customers. NobleTrading became a FINRA registered organization in June 2002, and remained a member until August 2010. Between February 2008 and May 2009 (the "relevant period"), the Firm maintained in excess of 1,700 open customer accounts. Between August 2001 and March 2010, Respondent held the positions of President, CCO and Chief AML Compliance Officer of NobleTrading. During the relevant period, NobleTrading was majority-owned by Respondent and two other individuals. In his capacity as CCO and Chief AML Compliance Officer, Respondent was solely responsible for establishing, maintaining and implementing Noble Trading's AML compliance program.

In or about June 8, 2010, NobleTrading filed a Uniform Request Withdrawal from Broker-Dealer Registration with FINRA that was approved on or about August 9, 2010. On or

about May 12, 2010, shortly before the Firm withdrew its FINRA membership, Respondent voluntarily terminated his employment with the Firm. NobleTrading subsequently filed with FINRA a Uniform Termination Notice for Securities Industry Registration dated May 17, 2010, reporting Respondent's termination. Respondent has not been employed in the securities industry since his termination.

Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (a) the Complaint was filed within two years the effective date of termination of Respondent's registration with NobleTrading, and (b) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

Summary

During the relevant period, Respondent, as the President, Chief AML Compliance Officer, CCO and partial owner of NobleTrading, failed to establish and implement risk-based AML procedures and controls sufficiently tailored to address the nature of the Firm's business model as an on-line broker-dealer with international customers. Specifically, Respondent failed to develop and implement reasonable internal controls to address the large volume of low-priced securities that were received into customer accounts and subsequently sold in numerous on-line transactions during the relevant period. The foregoing caused NobleTrading to have inadequate systems to detect suspicious transactions. Furthermore, to the limited extent that the NobleTrading had AML procedures associated with the trading of low-priced securities,

Respondent failed to adequately implement those procedures. Respondent also failed to establish adequate policies, procedures and internal controls reasonably designed to address money laundering-related risks associated with non-bank foreign correspondent accounts.

In addition, Respondent failed to establish, maintain and implement adequate written supervisory procedures ("WSPs") reasonably designed to ensure compliance with Section 5 of the Securities Act of 1933 ("Securities Act"). Specifically, Respondent failed to include in the Firm's WSPs any procedures requiring the Firm to determine the registration status of low-priced securities received and/or held in customer accounts or to ensure that such securities were freely tradable and free of restrictions prior to their sale.

**Failure to Establish and Implement Policies and Procedures
That Can Be Reasonably Expected to Monitor, Detect and
Cause the Reporting of Suspicious Transactions**

NASD Rule 3011(a) requires FINRA registered broker-dealers to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("PATRIOT Act") and its implementing regulations require all United States broker-dealers to file with the Financial Crimes Enforcement Network ("FinCEN"), a bureau of the U.S. Treasury Department, a Suspicious Activity Report ("SAR") concerning of any suspicious transaction relevant to a possible violation of law or regulation.

Specifically, a broker-dealer must file a SAR to report to FinCEN transactions that are either conducted or attempted to be conducted involving assets or funds of an aggregate value of at least \$5,000, if the broker-dealer knows or has reason to suspect that the transaction, among other things:

- a. Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any Federal law or regulation;
- b. Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; and
- c. Involves the use of the broker-dealer to facilitate the criminal activity.

31 C.F.R. § 1023.320(a)(2)(i), (iii), and (iv). Broker-dealers are required to file SARs no later than 30 calendar days after they initially detect facts that may constitute a basis for such a filing.

31 C.F.R. § 1023.320(b)(3).

According to Special NASD Notice to Member 02-21, it is incumbent upon broker-dealers to identify and investigate any “red flags” associated with customer account activity. NTM 02-21 provides a list of “red flags” associated with certain customer account activities that may be considered suspicious and require further investigation. The list of red flags identified in NTM 02-21 includes but is not limited to the following:

- a. The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer’s stated business strategy;
- b. The customer’s account has unexplained or sudden extensive wire activity, especially in an account that had little or no previous activity;
- c. The customer’s account has inflows of funds or other assets well beyond the known income or resources of the customer; and
- d. The customer, for no apparent reason or in conjunction with other ‘red flags,’ engages in transactions involving certain types of securities, such as penny stocks.

The presence of red flags such as those discussed in NTM 02-21 should prompt broker-dealers to conduct additional due diligence investigations as part of their obligation to monitor and detect instances of suspicious activity occurring in customer accounts.

Inadequate Risk-Based AML Procedures

Notice to Members 02-21 further states that a broker-dealer's AML procedures should be sufficiently tailored to reflect the firm's business model. NobleTrading's business model allowed customers to open accounts without meeting a broker in person. NobleTrading provided software to its customers to self-direct their own accounts and trade markets. Customers placed orders by logging onto the Firm's software application and submitting orders.

Starting in 2008, NobleTrading's customer accounts experienced increased in trading of low-priced securities often referred to as penny stock shares. Rule 3a51-1 of the Securities Exchange Act defines the term penny stock as securities with an individual share price below \$5.00. During the relevant period, numerous NobleTrading on-line customer accounts received a combined total of at least one billion penny stock shares by the deposit of physical share certificates, electronic transfers, or purchases on the open market. The shares were sold shortly after receipt.

NobleTrading's business model, as well as the nature of transactions effected by many of its on-line customers, exposed the Firm to several risks. For example, the on-line nature of NobleTrading's business model exposed the Firm to risks that its customer accounts could be used to facilitate identity theft, or that unauthorized persons could hack into customer accounts and conduct trades unbeknownst to the true customer or the Firm. Moreover, the Firm's business model, coupled with the high volume of many of its customers short-term trading of penny stock shares, also exposed NobleTrading to risks that its customers may use the Firm's on-line trading

platform to facilitate money laundering or engage in securities fraud, or other violations of securities laws, including market manipulation and insider trading.

Respondent developed NobleTrading's AML Program and drafted its AML-related policies and procedures. He was solely responsible for making any necessary revisions to the Firm's AML-related procedures based, among other things, on changes to the Firm's business model.

NobleTrading's AML procedures in effect during the relevant period do not contain any references to its business activities as an on-line broker-dealer. Apart from incorporating the list of red flags contained in NTM 02-21, the Firm's AML procedures fail to advise of the risks of suspicious activity unique to customer relationships that are established without physically meeting the customer. Moreover, the Firm's AML procedures failed to provide any guidance or procedures to address the risks associated with the short-term trading of penny stock shares, such as market manipulation, fraud, insider trading and the sale of unregistered securities. Respondent, therefore, failed to establish adequate risk-based AML procedures sufficiently tailored to reflect NobleTrading's business and customer base.

Inadequate System to Monitor & Detect Suspicious Activity

Despite the high volume of penny stock shares that the Firm's customers received, electronically or otherwise and then immediately sold in multiple customer accounts, Respondent failed to develop or implement an effective process or system to detect and monitor this type of trading activity for suspicious transactions.

Respondent also failed to avail himself of resources readily available to him to conduct these types of reviews. PFS provided clearing services to NobleTrading. PFS generated reports, including various exception reports, which captured certain trading activity and trade information

in NobleTrading's customer accounts. According to NobleTrading's Clearing Agreement with PFS, the following exception reports were available to NobleTrading during the relevant period at no additional charge:

- a. Compliance Report: A daily report listing all accounts that maintain stock positions with the share price less than or equal to one dollar. The report displays, among other things, the account number, quantity, symbol, and price per share.
- b. Cash/Trade Activity Report: A daily report showing all accounts containing an opening and closing balance and the activity in that account for that day. The report displays, among other things the trade date, buy/sell code, symbol, quantity and price.
- c. Frequent Transactions, Ten or More, of \$3,000 or More: A detailed report displaying all accounts with 10 or more transactions in an amount greater than \$3,000 during the last 45 process dates.

Collectively, these PFS exception reports would have provided Ferrara with information regarding the customers' daily purchases and sales of penny stock shares, the frequency with which customers engaged in this type of trading, whether sale proceeds were wired out of customer accounts and, if so, the destination of the wired proceeds. These exception reports provided a tool through which NobleTrading could have monitored customer trading activities, and the Firm could have used the reports to review the short-term trading of penny stocks shares occurring in customer accounts.

Respondent failed to obtain these exception reports from PFS. As a result, Respondent failed to avail himself of these exception reports that would have assisted him in detecting suspicious trading activity in penny stocks by his Firm's online customers. Because his system for monitoring for suspicious transactions was inadequate, Respondent failed to detect numerous red flags present in several customer accounts. These red flags indicated trading activity consistent with schemes to artificially inflate the price of a low-priced security in order to sell the

cheaply purchased stock at a higher price (“pump and dump schemes”), as well as transactions that appeared to lack business purpose.

Trading Activity in Entity GGS Account

Entity GGS, a Bahamian broker-dealer and investment management firm, opened two trading accounts at NobleTrading on or about November 7, 2007. During the relevant period, Entity GGS deposited and/or purchased at least one billion shares of penny stocks of multiple issuers into one of its Firm accounts. During the relevant period, Respondent failed to detect that at least one billion of the penny stock shares deposited into the Entity GGS account were sold soon after they were received into that account.

Entity GGS wired out funds from its account on 38 separate occasions during the relevant period, sending more than \$34 million to a bank account at a United States financial institution that was held by an offshore bank located in Canada. The above-referenced activities in the Entity GGS Account raised red flags concerning the business reasons for the receipt and immediate sales of penny stock shares and the destination of the sale proceeds as noted above. In his capacity as the Chief AML Officer of NobleTrading, it was incumbent on Respondent Ferrara to identify and investigate these red flags to ensure compliance with anti-money laundering requirements. Respondent failed to identify and investigate the suspicious activity as noted above.

Respondent also failed to detect red flags associated with Entity GGS’s trading in VYXY. Between January 2 and February 25, 2008, VYXY was a thinly traded penny stock with an average daily trading volume of 268,385 shares. Between January and June 2008, VYXY was promoted through stock promotion websites, spam e-mails and its own press releases. Between

February 26 and May 30, 2008, VYEV's average daily trade volume dramatically increased to over 2 million shares and its stock price reached a record annual high of 42 cents per share.

Entity GGS did not hold any shares of VYEV prior to February 13, 2008. Between February 13th and June 30, 2008, the Entity GGS account purchased and/or received over ten million shares of VYEV. The Entity GGS account sold nearly eight million shares of the stock during the same time period, resulting in proceeds of more than \$1.5 million. Frequently, the receipt and purchase of VYEV shares in the Entity GGS account was followed by the immediate sale of those securities. The following table details the trading in VYEV in the Entity GGS Account between February 13, 2008 and March 11, 2008:

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of VYEV Shares Into the Account</u>	<u>Approximate No. of VYEV Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
2/13/2008	Buy	100,000		
2/22/2008	Sell		28,616	\$1,977.09
2/28/2008	Receive	2,200,000		
2/29/2008	Sell		673,221	\$112,076.37
3/3/2008	Sell		493,567	\$89,314.12
3/4/2008	Sell		163,000	\$30,482.32
3/5/2008	Sell		243,000	\$44,815.17
3/6/2008	Sell		265,000	\$62,352.03
3/7/2008	Sell		200,000	\$56,301.17
3/10/2008	Sell		171,384	\$63,084.77
3/11/2008	Buy Sell	65,000	55,000	\$17,487.73
		<u>Total Approximate Shares In: 2,365,000</u>	<u>Total Approximate Shares Out: 2,292,788</u>	<u>Total Approximate Revenue: \$477,890.77</u>

As depicted in the chart above, between February 13 and March 11, 2008, the Entity GGS account received or purchased 2.3 million shares of VYEV stock and immediately thereafter sold over 2.2 million of these shares for approximately \$478,000 in revenue. The pattern of receipts

and sales of shares of VYEV noted above, together with the existence of press releases and other advertising favorable to VYEV, were red flags that Respondent should have identified and investigated.

The Entity GGS account also engaged in similar suspicious trading in connection with shares of ELRA stock. The issuer of ELRA was reportedly a gold and precious metals exploration company. Between September and October 2008, ELRA issued several press releases containing claims about mining properties that it acquired. Additionally, a third-party investment research firm issued an online research report containing favorable price projections for ELRA shares. Between September 19th and October 6, 2008, ELRA's stock price fluctuated from a low of \$0.61 to a high of \$1.47 on average daily trading volume of 572,940 shares, significantly higher than its historical daily average of volume of 722 shares prior to September 19, 2008.

Between September and October 2008, the Entity GGS account received in and sold over two million ELRA shares from its account at NobleTrading. The trading of ELRA shares in the Entity GGS account followed a pattern similar to Entity GGS' short-term trading of the VYEV stock – it received a large number of shares and immediately liquidated a substantial number of those shares.

The following chart shows the trading activity in ELRA shares that occurred in the Entity GGS account during the month of September, 2008:

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of ELRA Shares Into Account</u>	<u>Approximate No. of ELRA Shares Out of Account</u>	<u>Approximate Sale Proceeds</u>
9/10/2008	Buy	1,000		
9/15/2008	Receive	1,150,000		

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of ELRA Shares Into Account</u>	<u>Approximate No. of ELRA Shares Out of Account</u>	<u>Approximate Sale Proceeds</u>
9/17/2008	Buy Sell	10,500	51,000	\$40,414.14
9/18/2008	Buy	5,000		
9/19/2008	Sell		40,000	\$32,957.05
9/22/2008	Buy Sell	15,000	22,500	\$14,131.42
9/26/2008	Sell		2,200	\$1,413.92
9/29/2008	Sell		554,200	\$479,474.03
9/30/2008	Buy Receive Sell	23,500 1,501,250	220,300	\$247,835.05
		<u>Total Approximate Incoming Shares: 2,706,250</u>	<u>Total Approximate Outgoing Shares: 890,200</u>	<u>Total Approximate Revenue: \$816,225.61</u>

As depicted in the chart above, during September 2008, the Entity GGS account purchased or received over two million shares of ELRA, but immediately liquidated over 890,000 of these shares for approximately \$816,000 in revenue. The pattern of receipts and sales of ELRA shares noted above, together with the existence of press releases and other advertising favorable to ELRA, were red flags which Respondent should have identified and investigated.

Respondent failed to detect, monitor or conduct additional due diligence as to the suspicious trading in VYFY and ELRA occurring in the Entity GGS account. The suspicious trading in Entity GGS' account included the short-term deposit and liquidation of over one billion penny stock shares and approximately \$34 million in wire activity that occurred during the relevant period.

Partly in response to several FINRA information requests concerning certain penny stock trading activity, on or about August 3, 2009, NobleTrading instituted an internal policy in which it refused to accept penny stock shares for deposit in customer accounts.

Trading of JNIP Shares by Five NobleTrading Customers

Respondent likewise failed to monitor, detect or investigate suspicious trading activity in the JNIP penny stock, despite five Firm customers depositing over 800 million shares into their respective NobleTrading accounts and shortly thereafter selling out their entire positions in the stock. JNIP was publically traded on the OTCBB and Pink Sheets. As of August 18, 2009, the closing bid for the stock was \$.0002.

Customer PG

Customer PG, an owner of a FINRA registered broker-dealer, opened an individual account at NobleTrading on or about February 18, 2009. On or about February 23, 2009, the PG account received an initial deposit of 20 million shares of JNIP penny stock via Deposit/Withdrawal at Custodian ("DWAC"). Between February 23 and May 31, 2009, there were at least four instances in which JNIP shares were deposited into PG's account for a cumulative total of over 150 million shares. During the same period, the PG account sold more than 150 million JNIP shares, generating revenue of over \$62,000.

The sales of JNIP shares from PG's NobleTrading account often occurred immediately after the shares were deposited into the account. The chart below details the trading activity that occurred in the PG account between February and March 2009:

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of JNIP Shares Into the Account</u>	<u>Approximate No. of JNIP Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
2/23/2009	Receive Sell	20,000,000	4,625,000	\$2,314.20
2/24/2009	Sell		4,500,000	\$2,011.20

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of JNIP Shares Into the Account</u>	<u>Approximate No. of JNIP Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
2/26/2009	Sell		950,000	\$446.24
2/27/2009	Sell		8,250,000	\$4,523.66
3/2/2009	Sell		1,675,000	\$894.08
3/6/2009	Receive	20,500,000		
3/9/2009	Sell		1,850,000	\$901.58
3/10/2009	Sell		1,850,000	\$901.58
3/11/2009	Sell		5,550,000	\$2,704.74
3/12/2009	Sell		1,474,000	\$713.58
3/13/2009	Sell		2,800,000	\$1,084.87
3/16/2009	Sell		1,850,000	\$716.58
3/23/2009	Sell		1,850,000	\$716.58
3/24/2009	Sell		3,275,000	\$1,263.16
		<u>Total Approximate Incoming Shares:</u> 40,500,000	<u>Total Approximate Outgoing Shares:</u> 40,499,000	<u>Total Approximate Revenue:</u> \$19,192.05

Between February and March 2009, the PG account received over 40 million JNIP shares and soon thereafter sold over 40 million shares of the stock. The JNIP transactions referenced above were the only purchases and sales of securities effected in the PG account during the relevant time period. The pattern of trading activity in the PG Account reflected in the chart above constituted a red flag for AML purposes and should have been identified and investigated by Respondent.

Customers MW and MG

Customer MW, an 85 year-old retiree, opened an individual account with NobleTrading on or about November 5, 2008. New account documents for the MW account state that MW's annual income was between \$80,000 and \$150,000 and her risk tolerance was low. MW's stated investment objectives were income and preservation of capital.

Customer MG, approximately 63 years-old and unemployed, also opened a NobleTrading account on or about November 5, 2008. New account documents for the MG account state that MG's annual income ranged between \$25,000 and \$80,000 and that she had a low risk tolerance. MG's stated investment objectives were income and preservation of capital. PG had discretionary trading authority in the NobleTrading accounts of MW and MG. The trading activity in MW and MG's accounts during the relevant period were nearly identical.

On or about November 19, 2008, the MW account received an initial deposit of over 6.3 million shares of JNIP. On at least 16 instances between November 19, 2008 and May 31, 2009, at least 290 million shares of JNIP were deposited into MW's account. During the same period of time, MW's account sold at least 280 million JNIP shares, generating revenue of over \$147,000. Sales of JNIP from MW's NobleTrading account often occurred immediately after the shares were received.

On or about November 26, 2008, the MG account received an initial deposit of over 4.4 million shares of JNIP. On at least 19 instances between November 26, 2008 and May 31, 2009, a total of over 390 million shares of JNIP were deposited via DWAC into MG's account. During the same period of time, MG's account sold over 379 million JNIP shares, generating revenue of over \$178,000. Sales of JNIP from MG's NobleTrading account often occurred immediately after the shares were received.

Apart from the trading in JNIP, there were no other purchases or sale of securities effected in the MG and MW accounts between November 19, 2008 and May 31, 2009. The charts below indicate the short-term trading of JNIP shares that was occurring in the MW and MG's accounts between November 2008 and January 2009:

MW's Account

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of JNIP Shares Into the Account</u>	<u>Approximate No. of JNIP Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
11/19/2008	Receive	6,332,227		
12/15/2008	Sell		6,332,227	\$14,294.95
12/23/2008	Receive	8,000,000		
12/26/2008	Sell		500,000	\$531.24
12/29/2008	Sell		3,000,000	\$3,659.25
12/30/2008	Sell		4,000,000	\$4,937.44
12/31/2008	Sell		500,000	\$782.54
1/5/2009	Receive	8,000,000		
1/8/2009	Sell		3,500,000	\$3,951.20
1/9/2009	Sell		4,000,000	\$4,257.77
1/12/2009	Sell		500,000	\$571.24
1/20/2009	Receive	11,400,000		
1/26/2009	Receive	14,000,000		
1/27/2009	Sell		4,600,000	\$5,370.34
1/28/2009	Receive Sell	11,400,000	6,200,000	\$6,953.68
1/29/2009	Sell		7,000,000	\$6,225.42
1/30/2009	Sell		5,500,000	\$4,474.94
		<u>Total Approximate Shares In:</u> 59,132,227	<u>Total Approximate Shares Out:</u> 45,632,227	<u>Total Approximate Revenue:</u> \$56,010.01

MG's Account

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of JNIP Shares Into the Account</u>	<u>Approximate No. of JNIP Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
11/26/2008	Receive	4,405,000		
12/2/2008	Receive	5,545,000		

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of JNIP Shares Into the Account</u>	<u>Approximate No. of JNIP Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
12/9/2008	Receive	5,545,000		
12/15/2008	Sell		9,950,000	\$29,187.57
12/23/2008	Receive	7,833,333		
12/26/2008	Sell		500,000	\$681.24
1/2/2009	Sell		250,000	\$331.29
1/5/2009	Sell		670,000	\$917.48
1/6/2009	Sell		3,664,000	\$4,638.24
1/7/2009	Receive Sell	7,833,333	2,249,333	\$2,767.85
1/8/2009	Sell		500,000	\$581.24
1/12/2009	Sell		1,850,000	\$2083.72
1/13/2009	Sell		734,000	\$823.76
1/14/2009	Sell		795,000	\$737.48
1/16/2009	Receive Sell	11,500,000	4,453,933	\$2,981.43
1/20/2009	Sell		4,000,000	\$2,196.20
1/21/2009	Sell		4,000,000	\$1,856.24
1/22/2009	Sell		3,500,000	\$1,719.96
1/23/2009	Receive Sell	13,500,000	4,150,000	\$2,317.44
1/26/2009	Sell		4,900,000	\$2,738.68
1/27/2009	Sell		4,450,000	\$4,491.20
		<u>Total Approximate Shares In:</u> 56,161,666	<u>Total Approximate Shares Out:</u> 50,616,266	<u>Total Approximate Revenue:</u> \$61,051.02

MW and MG's speculative trading in penny stocks appeared to be inconsistent with their respective risk tolerances and their accounts received inflows of stock shares whose value

appeared to be beyond the known resources of these customers. The MW account, MG account and PG account were all controlled by PG, and each account received millions of JNIP shares that it immediately liquidated. The foregoing activities in the PG, MW and MG accounts constituted suspicious activities or red flags that should have been identified and investigated by Respondent.

Trading Activity in JNIP by Entity BZB and Customer SH

Respondent also failed to review or detect other instances of coordinated trading activity in JNIP stock.

On or about September 25, 2008, Entity BZB, an investor relations firm, opened a NobleTrading account. Entity BZB did not hold any shares of JNIP in its NobleTrading account until November 3, 2008, when nearly eight million JNIP shares were deposited into its account. On or about or about December 15, 2008, the Entity BZB account sold over 7.6 million shares of JNIP.

On or about September 26, 2008, one day after Entity BZB opened its account at the Firm, SH, an approximately 27 year-old individual opened her NobleTrading account. SH did not hold any shares of JNIP in her NobleTrading account until on or about October 20, 2008, when over 5.5 million shares of JNIP were deposited into her account.

Between October 22 and 24, 2008, the SH account sold over 799,000 shares of JNIP. On or about or about December 18, 2008, three days after Entity BZB sold 7.6 million shares of JNIP, the SH account sold an additional 4.4 million shares of JNIP. Apart from these deposits and sales of JNIP, there was no other trading activity in the SH account. The foregoing activities in the Entity BZB and SH accounts constituted suspicious activities or red flags that should have been identified and investigated by Respondent.

Entity SP Trading Activity

Respondent also failed to detect suspicious trading activity occurring in the Entity SP account. Entity SP, a consulting company, opened an account at NobleTrading on or about April 23, 2009, and detailed in the chart below, immediately commenced trading only penny stock shares of GBOE and SARO:

GBOE Trades

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of GBOE Shares Into the Account</u>	<u>Approximate No. of GBOE Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
4/29/2009	Receive	3,000,000		
4/30/2009	Sell		96,000	\$506.77
5/1/2009	Sell		542,714	\$3,485.38
5/4/2009	Sell		500,000	\$2,932.06
5/5/2009	Sell		65,900	\$266.16
5/6/2009	Sell		1,250,000	\$4,426.15
5/7/2009	Sell		545,386	\$1,154.06
5/15/2009	Receive	8,300,000		
5/18/2009	Sell		4,024,750	\$20,995.11
5/19/2009	Sell		4,275,250	\$25,110.81
5/26/2009	Receive	7,300,000		
5/27/2009	Sell		1,700,000	\$6,481
5/28/2009	Sell		5,599,800	\$24,381.51
		<u>Total Approximate Shares In:</u> 18,600,000	<u>Total Approximate Shares Out:</u> 18,599,800	<u>Total Approximate Revenue:</u> \$89,739.01

SARO Trades

<u>Date</u>	<u>Receive/Buy/Sell</u>	<u>Approximate No. of SARO Shares Into the Account</u>	<u>Approximate No. of SARO Shares Out of the Account</u>	<u>Approximate Sale Proceeds</u>
5/5/2009	Receive	5,000,000		
5/13/2009	Receive	5,000,000		
5/14/2009	Sell		2,164,000	\$3,032.81
5/15/2009	Receive Sell	7,000,000	2,836,000	\$4,709.33
5/18/2009	Sell		6,330,000	\$10,392.68
5/19/2009	Sell		670,000	\$993.27
5/26/2009	Receive	9,400,000		
5/27/2009	Sell		9,400,000	\$15,105.45
		<u>Total Approximate Shares In:</u> 26,400,000	<u>Total Approximate Shares Out:</u> 21,400,000	<u>Total Approximate Revenue:</u> \$34,233.54

The Entity SP account earned over \$123,000 in revenue from its sales of GBOE and SARO, and over half of the revenue earned from these transactions was transferred out of the account shortly after the liquidations. The foregoing activities in the Entity SP account constituted suspicious activities or red flags that should have been identified and investigated by Respondent.

As evidenced by the customer transactions described above, Respondent failed to detect the suspicious trading activity occurring in the Entity GGS, PG, MW, MG, Entity BZB, SH and Entity SP accounts, and therefore failed to appropriately determine whether the filing of suspicious activity reports was required. The customer trading activity previously described demonstrates Respondent's failure to institute controls that would have enabled him to monitor the short-term deposit and liquidation of nearly two billion penny stock shares as described.

Failure to Implement Firm AML Policies Concerning Investigation of Red Flags

According to the Firm's AML program, "[r]ed flags that signal possible money laundering or terrorist financing include ... [t]he customer, for no apparent reason or in conjunction with other red flags, engag[ing] in transactions involving certain types of securities, such as penny stocks...[that may]... have been used in connection with fraudulent schemes and money laundering activity...Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity." NobleTrading's AML Program also stated that the investigation of red flags would be conducted under the supervision of the Firm's AML Compliance Officer. Respondent did not adequately implement these provisions of the AML Program as evidenced by his failure to review and investigate suspicious short-term trading of penny stocks in numerous customer accounts, including those previously described above.

Therefore, based on the foregoing, Respondent violated NASD Rules 3011(a) and 2110 and FINRA Rule 2010 by failing to: (i) establish written policies and procedures that can be reasonably expected to monitor, detect and cause the reporting of suspicious transactions, given the nature of NobleTrading's business and (ii) implement an adequate AML program and system designed to detect suspicious transactions.

Failure to Establish and Implement Policies, Procedures and Internal Controls Reasonably Designed to Achieve Compliance with the Bank Secrecy Act and its Implementing Regulations

NASD Rule 3011(b) requires FINRA registered broker-dealers to establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the AML provisions of the Bank Secrecy Act and its implementing regulations. In his capacity as President, Chief Compliance Officer, Chief AML Compliance Officer and partial owner of NobleTrading, Respondent was responsible for the establishment and implementation

of adequate policies, procedures and internal controls to address money laundering risks associated with the nature of the Firm's business during the relevant period.

Section 312 of the USA PATRIOT Act requires U.S. broker-dealers that establish, maintain, administer or manage a correspondent account for a non-United States person to establish appropriate, specific, and where necessary, enhanced due diligence policies, procedures, and controls that are reasonably designed to detect and report instances of money laundering through those accounts. 31 U.S.C. § 5318(i)(1). A broker-dealers AML policies and procedures must consider the following factors in determining the money laundering risks association with a correspondent account held by a foreign financial institution:

- a. the nature of the foreign financial institution's business and the market it serves;
- b. the type, purpose and anticipated activity of such correspondent account; and
- c. the anti-money laundering and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution and of the jurisdiction in which any company that is an owner of the foreign financial institution is incorporated or chartered.

31 C.F.R. § 1010.60(a) (2) (i)-(IV). Additionally, Notice to Members 02-21 states that a broker-dealer's AML procedures will be effective provided they are sufficiently tailored to reflect the firm's customer base.

During the relevant period, dozens of foreign business entities opened accounts at NobleTrading. As of February 2009, NobleTrading had over 600 accounts held by individuals and entities located outside of the United States. At least 37 of those accounts were held by business entities located in several different countries.

Notwithstanding the nature of NobleTrading's customer base, Respondent failed to include in the Firm's AML Program any procedures for conducting due diligence in connection

with correspondent accounts held by non-bank foreign financial institutions such as broker-dealers and mutual funds. NobleTrading's AML procedures in effect during the relevant period failed to reference foreign broker-dealers and mutual funds, and did not provide any factors for assessing the money laundering risks association with these types of accounts.

Based on the foregoing, Respondent violated NASD Rules 3011(b) and 2110 and FINRA Rule 2010 by failing to establish adequate policies, procedures and internal controls reasonably designed to address money laundering-related risks associated with correspondent accounts held by non-bank foreign financial institutions.

**Failure to Establish, Maintain and Enforce Written Procedures Reasonably
Designed to Ensure Compliance with Section 5 of the Securities Act**

Section 5 of the Securities Act prohibits the sale of securities in interstate commerce without an effective registration statement, unless an exception applies. Before selling unregistered securities, Section 5 of the Securities Act requires a broker-dealer to conduct a searching or reasonable inquiry ("searching inquiry") to determine whether the securities are exempt from registration. The exemption is unavailable if a broker-dealer fails to make that searching inquiry. A "searching inquiry" concept obligates a broker-dealer to perform certain due diligence before executing any sales transactions in a customer account that has received a large block of thinly-traded securities of a company, in order to verify that the customer is neither an affiliate of the issuer nor an underwriter. It is insufficient for a broker-dealer to accept the statements of sellers and their counsels' opinion letters without reasonably exploring the possibility of contrary facts.

NASD Rule 3010(b)(1) requires firms to "establish, maintain and enforce written procedures to supervise the types of business in which it engages and ... the activities of its

[registered and associated persons] that are reasonably designed to achieve compliance” with applicable laws and rules. The procedures must be tailored to the business lines in which the Firm engages, and they also must set out mechanisms for ensuring compliance and for detecting violations, and not merely set out what conduct is prohibited.

As noted above, during the relevant period, many customer accounts held at the Firm received large share deposits of penny stocks and soon thereafter sold those shares. During the relevant period, Respondent was the President and Chief Compliance Officer of NobleTrading. In that capacity, he was responsible for developing written supervisory procedures for the Firm, as well as enforcing compliance with these procedures consistent with the business lines in which the Firm was engaged.

The Firm’s WSPs failed to set forth procedures addressing the circumstances under which the Firm was required to conduct a searching inquiry into the registration or exemption status of penny stock shares received into customer accounts, held in customer accounts, and/or sold from customer accounts. Apart from suggesting examination of legends on penny stock share certificates, the Firm’s WSPs failed to set forth a description of the steps required to be taken in the course of inquiring into the registration or exemption status of penny stock shares held in customer accounts, such as asking how, when and under what circumstances the shares were obtained.

By failing to establish, maintain and enforce written supervisory procedures reasonably designed to ensure compliance with Section 5 of the Securities Act as described above, Respondent Ferrara violated NASD Rules 3010(b) and 2110.

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 FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be suspended from associating with any FINRA member in all principal capacities for four months, pay a fine of \$35,000 and complete 16 hours of training not unacceptable to the Staff of FINRA's Department of Enforcement located at One World Financial Center Office ("Enforcement Staff") concerning anti-money laundering. The 16 hours of anti-money laundering training must be completed by Respondent prior to engaging in any activity requiring registration as a securities principal. Respondent shall provide Enforcement Staff with evidence that he has completed such training within 10 days of completion of such AML training program.

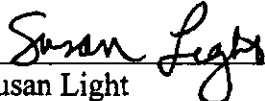
The fine shall be due and payable either immediately upon reassociation with a member firm following the four-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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