

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

DEPARTMENT OF MARKET REGULATION,

Complainant,

v.

PETER RAYMOND QUARTARARO
(CRD No. 3079675),

Respondent.

Disciplinary Proceeding
No. 20120314510-01

Hearing Officer – RLP

DEFAULT DECISION

February 21, 2013

For (i) engaging in securities fraud, in violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010; (ii) misappropriating customer funds, in violation of FINRA Rule 2010; and (iii) failing to provide information and appear for testimony, in violation of FINRA Rules 8210 and 2010, Respondent is barred from associating with any FINRA member in any capacity.

Appearances

Edwin T. Aradi, Esq., and James J. Nixon, Esq., Rockville, MD, for the Department of Market Regulation.

No appearance by or for Respondent.

DECISION

I. Introduction

FINRA's Office of Fraud Detection and Market Intelligence commenced the investigation that led to the filing of a complaint against Peter Raymond Quartararo after two of Quartararo's acquaintances, WV and MBV, emailed BrokerCheck. The email notified FINRA that, although WV and MBV had provided Quartararo with \$10,000 to invest in securities, Quartararo did not purchase securities on their behalf. As a result of the investigation, FINRA's

Department of Market Regulation (“Market Regulation”) initiated this proceeding on September 25, 2012.¹

In its complaint, Market Regulation pleads three causes of action. The first cause of action charges that Quartararo willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, FINRA Rule 2020, and FINRA Rule 2010 by falsely representing that he would use the Vs’ funds to purchase securities, when he never intended to do so. The second cause charges Quartararo with converting the Vs’ funds—by depositing them into a bank account he controlled and then using them for his own personal purposes—in violation of FINRA Rule 2010. Finally, the complaint’s third cause charges that Quartararo violated FINRA Rules 8210 and 2010 when he failed to provide information and testimony FINRA staff requested in connection with the investigation of this matter. Quartararo did not answer or otherwise respond to the complaint. Consequently, on January 9, 2013, Market Regulation filed a motion for entry of a default decision and imposition of sanctions, together with the declaration of Edwin T. Aradi and 3 exhibits. Quartararo did not respond to the motion.²

II. Jurisdiction

Quartararo entered the securities industry in July 1998. As of March 2011, he was employed by Merrimac Corporate Securities, Inc. (“Merrimac”), and registered as a general securities representative through the firm. Quartararo has not been associated with any FINRA member firm since his employment with Merrimac was terminated on September 19, 2011.³

¹ Declaration of Edwin T. Aradi in Support of the Department of Market Regulation’s Motion for Entry of Default Decision (“Aradi Decl.”), ¶¶ 13-14.

² Given that Quartararo is in default as detailed below, the factual determinations in this decision are based on allegations in the attached complaint, which are deemed admitted, as well as the Aradi Declaration and attached exhibits.

³ Complaint, ¶ 3; Aradi Decl., ¶¶ 4-7; CX-1 at 2, 13.

Although Quartararo is not currently registered with a FINRA member firm, FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the complaint (1) was filed within two years after the termination of Quartararo's registration with Merrimac, and (2) charges Quartararo with misconduct that occurred before that termination and with failing to respond to information requests issued within two years after that termination.⁴

III. Respondent's Default

On September 25, 2012, Market Regulation served Quartararo with a notice of complaint and complaint by, among other means, overnight courier and certified mail addressed to his residential address as recorded in FINRA's Central Registration Depository ("CRD address"). According to a delivery receipt, the materials were delivered by the courier on September 26, 2012. A U.S. Postal Service email likewise confirms that the mailing was delivered on September 28. Quartararo did not answer the complaint by the October 23, 2012 deadline.⁵

On October 31, 2012, Market Regulation served Quartararo with a second notice of complaint and complaint by, among other means, overnight courier to Quartararo's CRD address. The courier's delivery receipt shows that the materials were delivered on November 2. Quartararo did not respond to this second notice, and to date, he has not filed an answer with the Office of Hearing Officers or otherwise responded to the complaint.⁶

⁴ See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/Industry/Regulation/FINRARules/ (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

⁵ Aradi Decl., ¶¶ 8-9; CX-2 at 1, 3.

⁶ Aradi Decl., ¶¶ 10-11; CX-3 at 1. Because another residential address, in addition to Quartararo's CRD address, was known to Market Regulation, the complaint was also sent with the first and second notices to that additional address.

Quartararo received constructive notice of this proceeding and, therefore, the Hearing Officer finds that Quartararo defaulted by failing to answer the complaint.⁷

IV. Findings of Fact and Conclusions of Law

A. Securities Fraud

The complaint's first cause of action charges that Quartararo willfully engaged in securities fraud, in violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010. The charge centers on allegations that, beginning in March 2011, Quartararo represented to WV and MBV that he would use funds they provided to purchase securities when, in fact, he never intended to do so.

After an eight-year acquaintanceship with WV and MBV, Quartararo approached them in March 2011, claiming that he had a tip on a penny stock, Electric Moto Corp. Inc. ("EMOT") and, in the ensuing weeks, Quartararo repeatedly solicited their purchase of EMOT, both in person and by telephone. Based on Quartararo's representations that he would use the funds to purchase EMOT shares and that the investment could yield a return of \$120,000 in two months, WV gave Quartararo a \$10,000 check in May. Around the same time, at Quartararo's request, the Vs completed and returned to Quartararo new account forms, so that Quartararo could open an account for them with Merrimac's clearing firm.⁸

But Quartararo never opened an account for the Vs, nor did he use their funds to purchase EMOT securities. Instead, he deposited the check into a bank account he controlled and used the funds for his own personal purposes.⁹

⁷ See FINRA Rule 9134(a)(3) and (b)(3); *Dep't of Enforcement v. Moore*, 2012 FINRA Discip. Lexis 45, at *19-21 (NAC July 26, 2012) (respondent had constructive notice of complaint mailed to his CRD address); see also Notice to Members 99-77, available at www.finra.org/Industry/Regulation/Notices/1999/P004087.

⁸ Complaint, ¶ 4; Aradi Decl., ¶¶ 16-17. Quartararo also supplied MBV with a business card that misspelled his firm's name and was not in the firm's approved format. Complaint, ¶ 4.

⁹ Complaint, ¶¶ 5, 13; Aradi Decl., ¶¶ 16-18.

After several weeks had passed without the Vs receiving any documentation of their investment, MBV contacted Quartararo, requesting account documents and transaction confirmations. Quartararo told her that he could not supply any documentation of the investment because he had learned of the opportunity by availing himself of inside information and, consequently, he and the Vs could get in trouble.¹⁰

Thereafter, in a continuing effort to conceal his fraud and lull the Vs into a false sense of confidence about the use of their funds, Quartararo met with the Vs in October 2011 in a conference room of an office building in Jericho, New York, where Merrimac had a branch office. But Quartararo had never worked at that office and, by time of the meeting, had left the firm. After the meeting concluded, MBV returned to the building and spoke with the building's receptionist, who apologized to MBV and admitted that that she had allowed Quartararo to use the conference room despite the fact that he did not work in the building.¹¹

Suspecting that she had been the victim of fraud, MBV continued to contact Quartararo and, sometime in late 2011 or early 2012, Quartararo agreed to return the Vs' funds. Accordingly, in January and February 2012, Quartararo delivered three "starter" checks to MBV in the amounts of \$3,500, \$3,500, and \$3,000. The checks did not clear.¹²

Based on the foregoing, the Hearing Officer concludes that Quartararo willfully¹³ engaged in securities fraud in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. These antifraud provisions are "designed to ensure that members of the securities

¹⁰ Complaint, ¶ 6. MBV, who was not satisfied with Quartararo's response, contacted Merrimac and was informed that Quartararo had never opened an account for her and had not purchased securities for her through the firm. *Id.*

¹¹ Complaint, ¶ 7.

¹² Complaint, ¶ 8; Aradi Decl., ¶ 17.

¹³ A finding that a person acts willfully generally requires "no more than that the person . . . knows what he is doing. It does not mean that, in addition, he must suppose that he is breaking the law." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). The finding below that Quartararo acted with scienter necessarily means that he acted willfully.

industry fulfill their obligation to the public to be complete and accurate when making statements about securities.”¹⁴ A finding of a violation requires a showing that a person (i) acting with scienter, (ii) misrepresented or omitted material facts, (iii) in connection with the purchase or sale of any security.¹⁵ Scienter embraces the “intent to deceive, manipulate, or defraud”¹⁶ and may be established by a showing of recklessness involving an “extreme departure from the standards of ordinary care, . . . which presents a danger of misleading buyers or sellers that is either known to the [actor] or is so obvious that the actor must have been aware of it.”¹⁷ A fact is material if there is a substantial likelihood that a reasonable investor would have considered it important in making an investment decision.¹⁸

The facts adequately establish that Quartararo acted with scienter. He convinced the Vs to pay for shares he claimed could yield an astronomical return in a matter of months, all the while never intending to purchase the shares, but instead to use the funds for his own purposes. His scienter is further evidenced by his request that the Vs fill out new account forms for a brokerage account he never set up. Indeed, particularly indicative of his intent to defraud the Vs was his later attempt to conceal his fraud by holding a meeting with them at a location that suggested a continuing affiliation with Merrimac after he had left the firm.

¹⁴ *Dep’t of Enforcement v. Donner Corp. Int’l*, No. CAF020048, 2006 NASD Discip. LEXIS 4, at *50 (NAC Mar. 9, 2006) (citations omitted), *vacated and remanded in part on other grounds*, *Donner Corp. Int’l*, Exchange Act Rel. No. 55313, 2007 SEC LEXIS 334 (Feb. 20, 2007).

¹⁵ *Id.*; see also *Dep’t of Market Regulation v. Burch*, No. 200500324301, 2011 FINRA Discip. LEXIS 16, at *25 (NAC July 28, 2011) (citing *SEC v. First Jersey Securities, Inc.*, 101 F.3d 1450, 1467 (2d Cir. 1996)). In addition, a violation of Section 10(b) must involve the use of “any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange,” an element satisfied here given that Quartararo solicited the Vs using the telephone.

¹⁶ *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 (1976).

¹⁷ *E.g., The Rockies Fund, Inc. v. SEC*, 428 F.3d 1088, 1093 (D.C. Cir. 2005) (citing *Steadman v. SEC*, 967 F.2d 636, 641-42 (D.C. Cir. 1992) (quoting *Sundstrand Corp. v. Sun Chemical Corp.*, 553 F.2d 1033, 1044-45 (7th Cir. 1977))).

¹⁸ *Basic v. Levinson*, 485 U.S. 224, 231-32 (1988).

Quartararo misstated or omitted material facts. When a person represents that funds will be used to purchase securities while intending to convert those funds to his own personal use—as Quartararo did here—he has plainly misstated and omitted material facts.¹⁹ Moreover, it is well established that when a person accepts payment for securities he intends never to deliver, as Quartararo did here, the person engages in fraud “in connection with” the purchase of a security.²⁰

FINRA Rule 2020, like its predecessor, NASD Conduct Rule 2120, is FINRA’s antifraud rule and, as pertinent here, its elements are the same as those required to establish a violation of Section 10(b) and Rule 10b-5.²¹ Therefore, based on the foregoing, the Hearing Officer concludes that Quartararo violated Rule 2020 and, further, that his conduct ran afoul of the high ethical standards required by FINRA Rule 2010.²²

B. Conversion

As set forth above, as part and parcel of Quartararo’s fraud, he convinced the Vs to provide him with a \$10,000 check, by falsely representing that he would use the funds to purchase securities. Contrary to that representation, he deposited the money into a bank account he controlled and used the funds for his own purposes.

FINRA’s Sanction Guidelines (“Guidelines”) define conversion as “an intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the

¹⁹ *E.g., Dep’t of Enforcement v. Becerril*, No. 2009018944001, 2012 FINRA Discip. LEXIS 4, at *19 (OHO Feb. 23, 2012).

²⁰ *See SEC v. Zandford*, 535 U.S. 813, 819-20 (2002).

²¹ *E.g., Burch*, 2011 FINRA Discip. LEXIS 16, at *23-25 & n.18; *Market Regulation Comm. v. Shaughnessy*, No. CMS950087, 1997 NASD Discip. LEXIS 46, at *24 (NBCC June 5, 1997), *aff’d*, *Kevin Eric Shaughnessy*, 53 S.E.C. 692 (1998).

²² This holds true both because fraud is a serious breach of Rule 2010’s ethical standards and because a violation of other rules constitutes a violation of Rule 2010. *See Stephen J. Gluckman*, Exchange Act Rel. No. 41628, 54 S.E.C. 175, 185 (1999). Although Rule 2010 applies by its terms only to members, Rule 0140(a) provides that persons associated with a member “have the same duties and obligations as a member under the Rules.”

property nor is entitled to possess it.”²³ It is well established that conversion is conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.²⁴ Based on the foregoing, the Hearing Officer concludes that Quartararo violated FINRA Rule 2010.

C. Failure to Provide Information

On March 27, 2012, as part of the investigation of this matter, FINRA sent Quartararo two written requests pursuant to FINRA Rule 8210. Both requests were served upon Quartararo via overnight courier and certified first-class mail to his home address, as reflected in CRD, and to an alternative address known by FINRA staff.²⁵

The first request required Quartararo to respond to written questions and provide documents to FINRA staff on or before April 9, 2012. Quartararo failed to respond by April 9, and April 12 follow-up correspondence also failed to elicit any response. The second request required Quartararo to appear for testimony on April 16, 2012, at FINRA’s office in Rockville, Maryland. Quartararo failed to appear.²⁶

FINRA Rule 8210(c) sets forth an unequivocal requirement that registered persons comply with FINRA information requests, providing that “[n]o member or person shall fail to provide information” requested pursuant to the Rule. The foregoing facts establish that Quartararo failed to respond in any manner to requests for documents and testimony.

²³ Sanction Guidelines 36, n.2 (2011), *available at* www.finra.org/Industry/Enforcement/Sanctionguidelines.

²⁴ *See John Edward Mullins*, Exchange Act Rel. No. 66373, 2012 SEC LEXIS 464, at *33 (Feb. 10, 2012).

²⁵ Complaint, ¶ 16; Aradi Decl., ¶ 21.

²⁶ Complaint, ¶¶ 17-18.

Accordingly, the Hearing Officer finds that Quartararo violated Rule 8210. Quartararo's violation of Rule 8210 is also a violation of Rule 2010.²⁷

V. Sanctions

A. Securities Fraud

The Guideline for misrepresentations or material omissions of fact recommends a bar in egregious cases.²⁸ Quartararo's violation was egregious. Quartararo carried out a fraudulent scheme that included, among other things, falsely representing that he would use the Vs' funds to purchase securities that he never intended to purchase, requesting that the Vs provide him with completed new account forms for an account he never intended to open, claiming that a \$10,000 investment could yield a return of \$120,000 in just two months, and falsely stating that he could not provide account documentation because he utilized inside information in purchasing the securities.

Accordingly, and in the absence of any other mitigating circumstances, Quartararo will be barred from associating with any FINRA member firm in any capacity for engaging in securities fraud.

B. Conversion

Quartararo took the Vs' funds and used them for his own personal, unauthorized purposes. As stated, this amounts to conversion. Such conduct is patently antithetical to the high standards of conduct FINRA seeks to promote²⁹ and, therefore, the Guidelines recommend

²⁷ See *Michael A. Rooms*, Exchange Act Rel. No. 51467, 2005 SEC LEXIS 728, at *13-14 & n.14 (Apr. 1, 2005) (holding that efforts to impede NASD (now FINRA) investigations violate high standards of commercial honor and just and equitable principles of trade), *aff'd*, 444 F.3d 1208 (10th Cir. 2006).

²⁸ Guidelines 88; see *Burch*, 2011 FINRA Discip. LEXIS 16, at *44.

²⁹ See *Dep't of Enforcement v. Patel*, No. C02990052, 2001 NASD Discip. LEXIS 42, at *24-25 (NAC May 23, 2001).

a bar, regardless of the amount converted.³⁰ In the absence of any mitigating circumstances, Quartararo will therefore be barred from associating with any FINRA member firm in any capacity.

C. Failure to Provide Information

A violation of Rule 8210 is serious because the rule “provides a means, in the absence of subpoena power, for [FINRA] to obtain from its members information necessary to conduct investigations.”³¹ The rule thus “is at the heart of the self-regulatory system for the securities industry” and, when members delay their responses or neglect entirely their responsibilities under the rule, they “undermine the ability of [FINRA] to . . . protect the public interest.”³² For these reasons, the Guidelines recommend a bar when an individual does not respond in any manner to requests for information or testimony.³³

Quartararo failed to respond in any manner to a request for information and a request for testimony. There is no evidence of any mitigating facts that would justify a sanction less than a bar. Accordingly, the Hearing Officer concludes that Quartararo should be barred from associating with any FINRA member in any capacity for violating Rules 8210 and 2010.

VI. Order

Quartararo is barred from associating with any FINRA member in any capacity for each of three violations: (1) making material misstatements and omitting material facts in connection with the purchase of a security, in violation of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010; (2) converting customer funds, in violation of

³⁰ Guidelines 36.

³¹ *Richard J. Rouse*, 51 S.E.C. 581, 584, 1993 SEC LEXIS 1831, at *7 (1993).

³² *Howard Brett Berger*, Exchange Act Rel. No. 58950, 2008 SEC LEXIS 3141, at *13 (Nov. 14, 2008), *pet. denied*, 347 Fed. App'x 692 (2d Cir. 2009).

³³ Guidelines 33.

FINRA Rule 2010; and (3) failing to respond to requests for documents and testimony, in violation of FINRA Rules 8210 and 2010. The bars shall become effective immediately if this decision becomes FINRA's final disciplinary action.³⁴

Rada Lynn Potts
Rada Lynn Potts
Hearing Officer

Copies to:

Peter R. Quartararo (*via overnight courier and first-class mail*)
Edwin T. Aradi, Esq. (*via electronic mail and first-class mail*)
James J. Nixon, Esq. (*via electronic mail*)

³⁴ Because Merrimac ultimately settled with the Vs, Enforcement is not seeking, and the Hearing Officer does not award, restitution.

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

Department of Market Regulation,
Complainant,

v.

Peter Raymond Quartararo
(CRD No. 3079675),

Respondent.

Disciplinary Proceeding
No. 20120314510-01

COMPLAINT

The Department of Market Regulation alleges:

Summary

1. Beginning in March 2011, registered representative Peter Raymond Quartararo ("Quartararo" or "Respondent") embarked on a scheme to defraud two acquaintances, WV and MBV, in connection with the purported purchase of shares of Electric Moto Corp. Inc. ("EMOT"). Specifically, WV and MBV completed new account forms and provided Quartararo with a check for \$10,000 based on his false representations that he would open an account for them, that he would use the proceeds from the check to purchase EMOT securities, and that their investment in EMOT could yield a return of \$120,000 within two months. Contrary to these representations, Quartararo did not open an account for WV and MBV or use their funds to purchase EMOT securities, nor did he ever intend to do so. Instead, he misappropriated the funds for his own personal use. Through this misconduct, Quartararo willfully violated Section

10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and violated FINRA Rules 2020 and 2010.

2. In connection with the investigation into this matter, on March 27, 2012, FINRA staff requested that Quartararo provide information and documents on or before April 9, 2012 and appear for testimony on April 16, 2012, in Rockville, Maryland. Quartararo failed to respond to the request for information and documents and failed to appear for testimony, in violation of FINRA Rules 8210 and 2010.

The Respondent

3. Quartararo first became associated with a FINRA member firm in 1998. In March 2011, he became registered as a general securities representative at his most recent employing member firm, which terminated his registration on September 19, 2011. Although Quartararo 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: (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with his most recent employing firm, namely September 19, 2011; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member, and with failing to provide information and to appear for testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

Statement of Facts

4. Quartararo was acquainted with WV and MBV for over eight years, and their sons played on the same baseball team. He approached them in or around March 2011, telling them that he had a tip on a penny stock. For several weeks, Quartararo contacted WV and MBV

repeatedly, both in person and by telephone, to solicit their investment in the penny stock. As a result, WV gave a \$10,000 check to Quartararo in May 2011 based on his representations that he would use the funds to purchase shares of EMOT and that the investment could yield a return of \$120,000 within two months. Quartararo requested that WV and MBV complete new customer account forms, which they returned to him after they had been completed and signed. Quartararo also provided a business card to MBV, though, unbeknownst to MBV, the firm's name was misspelled and was not in the firm's approved format.

5. Quartararo did not open an account for WV and MBV, and did not use their funds to purchase shares of EMOT.

6. In or about June and July 2011, MBV repeatedly contacted Quartararo when she did not receive any paperwork or proof of her investment. In response to MBV's repeated requests for account documents and transaction confirmations, Quartararo stated that he could not provide any documentation because he learned of the investment opportunity in EMOT through insider information and, therefore, they could both get in trouble. Not satisfied with that response, MBV contacted the firm, which told her that Quartararo had never opened an account for her and that Quartararo had not purchased securities for her through the firm.

7. After Quartararo left and was no longer associated with his employing member firm, he engaged in conduct in an attempt to conceal the misconduct committed while he was registered. For example, in or around October 2011, WV and MBV met Quartararo at an office building in Jericho, New York, where the firm had a branch office (though Quartararo had never worked out of that branch office). WV and MBV met with Quartararo in a conference room, where he tried to put them at ease regarding the purported investment. Remaining suspicious, MBV later returned to the building and quizzed the building's receptionist, who apologized to

MBV and stated that she allowed Quartararo to use the conference room despite the fact that he did not work there.

8. Having received no proof of her investment and suspicious that she had been the victim of fraud, MBV continued to contact Quartararo, and in late 2011 or early 2012 he agreed to return her money. He delivered to her three "starter" checks, in the amounts of \$3,500, \$3,500, and \$3,000, dated January 20, 2012, January 27, 2012, and February 1, 2012. The checks did not clear.

FIRST CAUSE OF ACTION
Manipulative and Deceptive Devices
(Section 10(b) of the Securities Exchange Act,
Rule 10b-5, and FINRA Rules 2020 and 2010)

9. Market Regulation realleges and incorporates by reference all preceding paragraphs.

10. Beginning in March 2011, Quartararo carried out a fraudulent scheme that included, among other things, falsely representing both in person and by telephone that he would use funds provided by WV and MBV to purchase securities that he never intended to purchase, obtaining new customer account forms when he never intended to open an account, claiming without any basis that a \$10,000 investment could yield a return of \$120,000, presenting a fake business card, and falsely claiming that he could not provide account documentation because he utilized inside information in purchasing securities.

11. By engaging in the foregoing conduct, Quartararo, in connection with the purchase or sale of a security, directly or indirectly, by use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange, knowingly or recklessly, employed a device, scheme or artifice to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of

the circumstances in which they were made, not misleading; and engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon other persons, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and in violation of FINRA Rules 2020 and 2010.

SECOND CAUSE OF ACTION
Standards of Commercial Honor and Principles of Trade
(FINRA Rule 2010)

12. Market Regulation realleges and incorporates by reference all preceding paragraphs.

13. Quartararo misappropriated \$10,000 from WV and MBV by falsely representing that he would use the money to purchase securities when, instead, he deposited the money into a bank account he controlled and used the funds for his own purposes.

14. By engaging in the foregoing conduct, Quartararo, in the conduct of his business, engaged in conduct that was inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

THIRD CAUSE OF ACTION
Failure to Provide Information and to Appear for Testimony
(FINRA Rules 8210 and 2010)

15. Market Regulation realleges and incorporates by reference all preceding paragraphs.

16. On March 27, 2012, FINRA staff served two separate written requests upon Quartararo pursuant to Rule 8210, one for testimony and one for information and documents.

17. The first request required that written responses to questions and requested documents be produced by Quartararo to FINRA staff on or before April 9, 2012. Quartararo

failed to respond. A follow-up request was sent pursuant to Rule 8210 on April 12, 2012.

Again, Quartararo failed to respond.

18. The second request required him to appear for testimony in Rockville, Maryland on April 16, 2012, in connection with FINRA's investigation of his fraudulent scheme and misappropriation of funds. Quartararo failed to appear.

19. Quartararo's failure to appear for testimony and complete failure to provide written responses and documents inhibited FINRA staff's ability to investigate his deceptive conduct.

20. By engaging in the foregoing conduct, Quartararo violated FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Market Regulation respectfully requests that the

Panel:

- A. make findings of fact and conclusions of law that Respondent Peter Raymond Quartararo committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that the Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. make specific findings that Respondent willfully violated Section 10(h) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder;
- D. order that Respondent bear such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- E. grant all further relief, legal or equitable, that is warranted under the circumstances.

FINRA DEPARTMENT OF MARKET REGULATION

Date: September 25, 2012



Robert Marchman, Executive Vice President
David E. Rosenstein, Senior Vice President
James J. Nixon, Chief Litigation Counsel
Edwin Aradi, Counsel
9509 Key West Ave.
Rockville, MD 20850
240-386-5690 (phone)
301-339-7618 (facsimile)
Edwin.Aradi@finra.org
marketreglitigation@finra.org