The Securities and Exchange Commission has charged New York-based broker-dealer AOC Securities LLC and its former chief executive officer, Ronaldo Gonzalez, with failing to supervise a broker who provided inflated price quotes for certain securities.

According to the SEC’s orders, AOC broker Frank Dinucci Jr. provided inflated price quotes to New York-based investment adviser Premium Point Investments (PPI).

The SEC claims that PPI traders dictated to Dinucci the prices at which he should value certain mortgage-backed securities in PPI funds’ portfolios. In return, the PPI traders promised to send securities trades to AOC.
Though both AOC and Gonzalez knew Dinucci was providing price quotes to PPI on behalf of AOC, the SEC alleges that they failed to establish or implement policies or procedures reasonably designed to prevent and detect Dinucci’s misconduct.

The SEC previously charged Dinucci, PPI, and certain of PPI’s founders, partners, and employees in connection with the fraudulent valuation scheme. AOC withdrew its registration as a broker-dealer at the end of 2018, during the course of the SEC’s investigation.

“To guard against the fraudulent valuation of assets, it is essential that broker-dealers and their senior executives reasonably supervise brokers who provide price quotes to hedge fund customers for valuation purposes,” said Daniel Michael, chief of the SEC division of enforcement’s complex financial instruments unit. “Deregistering with the [SEC] in the midst of an enforcement investigation will not enable such firms to evade liability.”

Without admitting or denying the SEC’s findings, AOC and Gonzalez agreed to pay penalties of $250,000 and $40,000, respectively. The SEC’s orders also censure AOC and impose a 12-month supervisory bar against Gonzalez.

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