

## NYSE ARCA, INC.

NYSE REGULATION,

Complainant,

v.

SIMON LIBRATI

and

SMF TRADING, INC.,  
d/b/a WORLD-XECUTION STRATEGIES,

Respondents.

FINRA Proceeding No. 20120314807<sup>1</sup>

August 15, 2018

**Respondent Simon Librati is liable, pursuant to Section 20(a) of the Securities Exchange Act, by controlling Fund A and Fund B, two unregistered, proprietary trading firms, for Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Securities Exchange Act and Rule 10b-5(a) and (c) thereunder.**

**Librati violated NYSE Arca Rule 2010 by controlling: (i) Fund A and Fund B that violated Sections 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder; (ii) Fund A and Fund B that violated Section 17(a)(3) of the Securities Act; (iii) World-Xecution that violated NYSE Arca Rule 2010 by aiding and abetting Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act. Consent to a joint and several fine of \$60,000 and a five-year suspension.**

**Respondent SMF Trading, Inc., d/b/a World-Xecution Strategies violated: (i) NYSE Arca Rule 2010, by knowingly or recklessly rendering substantial assistance to, and thereby aiding and abetting, Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act; (ii) NYSE Arca Rules 11.18 and 2010, by failing to reasonably supervise its affiliates' Fund A's and Fund B's orders and trading activity to detect and prevent their manipulative activity; and (iii) NYSE Arca Rule 2010, by engaging in conduct inconsistent with just**

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<sup>1</sup> Includes Matter Nos. 20130354712, 20140423738, and 20160508555.

**and equitable principles of trade by introducing the toxic order flow, including layering and spoofing, of its affiliates, Fund A and Fund B. Consent to a joint and several fine of \$60,000 and expulsion.**

### **Appearances**

For the Complainant: W. Kwame Anthony, Esq., Elyse D. Kovar, Esq., Eric S. Brown, Esq., Andrew Beirne, Esq., and Elizabeth Hogan, Esq., FINRA Department of Enforcement.

For the Respondent: Stephen J. Crimmins, Esq. and Heather B. Middleton, Esq., Murphy & McGonigle, P.C.

### **DECISION**

Simon Librati (“Librati”) and SMF Trading, Inc., d/b/a World-Xecution Strategies (“World-Xecution”) and NYSE Arca, Inc. entered into an Offer of Settlement and Consent for the sole purpose of settling this disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or findings referred to in the offer of settlement.<sup>2</sup> The Hearing Officer accepts the Offer of Settlement and Consent and issues this Decision in accordance with NYSE Arca Rules.<sup>3</sup>

### **FINDINGS OF FACTS AND VIOLATIONS**

#### **Background and Jurisdiction**

1. Librati entered the securities industry in 1993. In approximately early 2008, with a business partner, Librati formed “Fund A,”<sup>4</sup> a foreign, unregistered proprietary trading firm that operated as a trading fund. On or about August 25, 2011, Librati and his partner bought SMF Trading, Inc., a registered broker-dealer that was an Equities Trading Permit Holder with NYSE Arca, Inc. (“NYSE Arca”) from September 2, 2005, to June 13, 2013, and remains a Financial Industry Regulatory Authority (“FINRA”) member. They brought on additional partners and added additional entities to their partnership. Collectively, the partners made decisions about all of the entities, including the securities business of Fund A and SMF Trading. On May 14, 2013, SMF Trading began doing business as World-Xecution. By virtue of his ownership and control of World-Xecution, Librati was subject to NYSE Arca’s jurisdiction.

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<sup>2</sup> FINRA’s Office of Hearing Officers reviewed the Offer of Settlement and Consent under the terms of a Regulatory Services Agreement (as amended) among NYSE Group, Inc., New York Stock Exchange LLC, NYSE Arca, Inc., NYSE American LLC, and FINRA.

<sup>3</sup> The facts, allegations, and conclusions contained in this Decision were taken from the executed Offer of Settlement and Consent. Prior to August 17, 2017, the rules involved in this matter were called NYSE Arca Equities Rules.

<sup>4</sup> Designations of Fund A, Fund B, and BD Nos. 1–5 provide anonymity to entities not party to the settlement resulting in this Decision.

2. In May 2013, Librati and his original business partner formed BD No. 5, a broker-dealer that registered with NYSE Arca on May 15, 2014, and remains a member of NYSE Arca. (BD Nos. 1–4 referenced within.) Also in 2013, they formed “Fund B,” another foreign, unregistered proprietary trading firm that operated as a trading fund, and they brought on additional partners. Collectively, the partners made decisions about all of the entities, including the securities business of Fund A, Fund B, World-Xecution, and BD No. 5. Librati was an associated person of BD No. 5 until August 31, 2016. FINRA sent a letter on March 24, 2014, and subsequent correspondence, to notify Librati and World-Xecution of these investigations.
3. On behalf of NYSE Arca, in Matter Nos. 20120314807, 20130354712, 20140423738, and 20160508555, the staff in the Quality of Markets Section of FINRA’s Department of Market Regulation reviewed Librati’s activity with respect to partially owning and controlling two unregistered proprietary trading firms, Fund A and Fund B, which engaged in trading activity that included market manipulation and fraud, including layering and spoofing, on multiple markets, including NYSE Arca. The staff also reviewed activity by World-Xecution, which introduced Fund A’s and Fund B’s order flow, and Librati’s activity with respect to partially owning and controlling World-Xecution and BD No. 5, which introduced or executed trades of Fund A and Fund B.
4. Pursuant to Section 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”), Librati is liable as a controlling person for Fund A’s and Fund B’s violations of Sections 9(a)(2) and 10(b) of the Exchange Act, and Rule 10b-5(a) and (c) thereunder. In addition, Librati violated NYSE Arca Rule 2010 as a controlling person of two proprietary trading firms that engaged in trading activity including market manipulation and fraud, particularly layering and spoofing, from 2012 through August 2016 through two broker-dealers of which he also was a controlling person. Librati also violated NYSE Arca Rule 2010 as a controlling person of World-Xecution, which, aided and abetted violations of the Exchange Act and the Securities Act of 1933 (“Securities Act”).
5. World-Xecution violated NYSE Arca Rule 2010 by aiding and abetting Fund A’s and Fund B’s violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act. World-Xecution also violated NYSE Arca Rules 11.18<sup>5</sup> and 2010 by failing to reasonably supervise Fund A’s and Fund B’s orders and trades to detect and prevent the manipulative activity.

### **Relevant Disciplinary History**

6. Librati and World-Xecution have no relevant disciplinary history.

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<sup>5</sup> When the violations occurred, the rule cited as NYSE Arca Rule 11.18 was designated NYSE Arca Equities Rule 6.18.

## Violations

### *Layering and Spoofing*

7. “Layering” is a form of market manipulation that typically includes placement of multiple limit orders on one side of the market at various price levels intended to create the appearance of a change in the levels of supply and demand. In some instances, layering involves placing multiple limit orders at the same or varying prices across multiple exchanges or other trading venues. An order is executed on the opposite side of the market and most, if not all, of the multiple limit orders are immediately cancelled. The purpose of the multiple orders subsequently cancelled is to induce or trick other market participants to enter orders due to the appearance of interest created by the orders resulting in a more favorable execution on the opposite side of the market for the trader.
8. Similar to layering, “spoofing” is a form of manipulative trading which involves a market participant placing non-bona fide orders, generally inside the existing national best bid and offer (“NBBO”), with the intention of briefly triggering some type of response from another market participant, followed by cancellation of the non-bona fide order, and the entry of an order on the other side of the market.

### *Librati and His Business Partner Form Fund A*

9. In 2008, Librati, a Canadian citizen and resident with a business office in Canada, and his partner formed Fund A under the laws of the Cayman Islands as a proprietary trading firm. In early 2012, they brought on additional partners, after which Librati owned 38 percent of Fund A. Fund A entered into contracts with trading managers that managed groups of traders, resulting in Fund A having thousands of unregistered day traders in foreign countries to trade for Fund A’s account. Librati personally did not trade for Fund A.
10. Librati and his partners hired unregistered risk managers in Canada to identify potential groups of traders for Fund A. Based upon recommendations and information the risk managers provided about proposed trading groups’ strategies, buying power requirements, and history of success, they decided which groups of traders to accept. Fund A entered into negotiated agreements with each trading group pursuant to which the trading group kept approximately 85 to 90 percent of the trading profits, and Fund A retained approximately 10 to 15 percent. Generally, neither the trading managers nor the traders contributed any capital, and they did not absorb trading losses. Librati and his partners, as Fund A’s owners, bore the trading risks. Fund A paid each group’s share to the trading manager, and the manager was responsible for paying each group’s traders.
11. Librati and his original partner allocated money for Fund A to trade through each of the trading groups. They imposed strict credit limits and controls on the type and volume of activity and financial exposure of the trading. The individual traders and groups of traders

for Fund A were fungible and Librati and his partners could terminate them at any time, and each trading group could terminate its individual traders. Fund A retained the unpaid trading profits of any terminated traders dismissed for questionable activities.

*Fund A Engages in Layering and Spoofing in the United States*

12. In 2008, Fund A became a customer of BD No. 1, a U.S. registered broker-dealer. BD No. 1 provided Fund A with direct market access to a number of exchanges in the United States, including NYSE Arca. Fund A's traders utilized third-party order management systems and entered orders directly on U.S. markets using BD No. 1's market participant identifier ("MPID").
13. Through the access BD No. 1 provided, Fund A engaged in trading activity that included a pattern and practice of layering and other manipulative trading. Between 2008 and 2013, Fund A's trading triggered hundreds of thousands of regulatory alerts at FINRA and multiple exchanges for layering and other manipulative trading.
14. FINRA and the Securities and Exchange Commission ("SEC") directed regulatory inquiries to BD No. 1 about Fund A's activity. BD No. 1 also received reports from the exchanges showing exceptions that evidenced potentially violative trading activity. BD No. 1 in turn forwarded some of the reports to Fund A. For example, on January 7, 2010, BD No. 1 sent an email to Librati and a Fund A employee with attachments showing potential wash trades on three exchanges, with the message, "Please provide written confirmation of your review and if wash trades have been detected, what action has been taken to prevent future occurrences." BD No. 1 routinely sent identical emails to Librati and others at Fund A about other instances throughout the year.
15. Fund A and Fund B cleared their trades through registered broker-dealers. On November 3, 2010, the SEC adopted its Market Access Rule, Exchange Act Rule 15c3-5, requiring broker-dealers providing market access to have adequate risk management and supervisory systems to surveil for and prevent layering and other manipulative trading activity, among other things.
16. In approximately July 2011, after the SEC expressed concerns to BD No. 1 about Fund A's trading, BD No. 1 discussed with Librati and his partner the idea of having their own broker-dealer introduce Fund A's orders to BD No. 1.

*Librati and his Partner Purchase World-Xecution*

17. In August 2011, Librati and his partner purchased World-Xecution, a broker-dealer already registered with FINRA and multiple other exchanges. Librati was not licensed but was an associated person based on partial ownership and control. They installed other licensed securities professionals as officers and executives of World-Xecution. Fund A continued trading directly with BD No. 1 through December 2011. In January 2012,

World-Xecution began introducing Fund A's order flow to BD No. 1, which continued Fund A's access to multiple securities exchanges, and Fund A's traders continued to engage in manipulative layering.

18. By mid-2012, Librati and his original partner each owned 38 percent of World-Xecution and its affiliates, including Fund A, and the minority partners owned 24 percent. The minority partners were licensed securities professionals.

*Fund A Continues Layering and Spoofing through World-Xecution*

19. From January 2012 through January 2013, World-Xecution introduced Fund A's order flow to BD No. 1, and Fund A traders continued manipulative layering, triggering more than 200,000 surveillance alerts at FINRA.
20. Librati and World-Xecution were on notice of certain manipulative activity by Fund A through regulatory inquiries sent to BD No. 1. BD No. 1, in turn, sent inquiries to Fund A about the manipulative trading. For example, on March 29, 2012, BD No. 1 sent an email to Librati and others at Fund A stating, in part, "[An exchange] has detected potential layering and other manipulative activity in these symbols through [BD No. 1's MPID] in today's market."
21. In the middle of receiving these inquiries, in July 2012, Librati and his partner exchanged emails containing a Wall Street Journal article about disciplinary action taken against another firm for layering.
22. Librati and his partner frequently communicated about regulatory issues, including in August 2012, when Librati and his partner exchanged emails about Fund A operating in "grey areas" and regulators not liking Fund A's business.
23. FINRA began sending regulatory inquiries directly to World-Xecution, of which Librati was a controlling person, in its capacity as the introducing broker for Fund A.
24. On September 5, 2012, an employee at BD No. 1 sent an email to Librati and others at Fund A stating:

Simon, please be aware that we receive frequent contacts from exchanges, and one exchange has told me that they don't see this type of pattern from ANY other MPID across the market. Market makers are complaining to the exchanges. This pattern of entering orders which move the NBBO, enticing market makers into these prices, entering a large order on the opposite side of the market which executes, then cancelling the orders that moved the NBBO, is raising a lot of red flags.

25. Five weeks later, by letter dated October 10, 2012, BD No. 1 notified World-Xecution, including a copy directly to Librati, that it was terminating BD No. 1's relationship with World-Xecution in 30 days. BD No. 1 extended the deadline, and Fund A continued trading through BD No. 1 through January 2013.
26. After BD No. 1 informed World-Xecution it was terminating the relationship, Librati and his partners began establishing relationships on behalf of World-Xecution and Fund A with BD No. 2, an unaffiliated registered broker-dealer, in November 2012, and BD No. 3, another unaffiliated registered broker-dealer, in December 2012.
27. Fund A's traders engaged in layering and spoofing from approximately November 2012 through May 2013 through BD No. 2.
28. Fund A's traders engaged in layering and spoofing from approximately January 2013 through October 2013 through BD No. 3.

#### *Fund B*

29. In March 2013, Librati and his partners formed Fund B, a second unregistered, foreign proprietary firm that also operated as a trading fund, with the same owners as Fund A (38 percent Librati, 38 percent his partner, and 24 percent the other partners). They created it, in part, because they thought it would be a good vehicle for raising capital. Fund A became Fund B's "investment agent," and in approximately October 2013, an account was opened for Fund B at BD No. 4. Fund A's traders now traded for Fund B's account. Librati personally did not trade for Fund B.
30. From October 2013 through July 2014, Fund A's traders continued layering and spoofing in Fund B's account at BD No. 4.
31. BD No. 4's relationship with World-Xecution terminated, effective July 10, 2014.

#### *Librati and His Partner Form BD No. 5*

32. Librati and his partners formed BD No. 5 on May 7, 2013. Librati remained unlicensed but was an associated person based on partial ownership and control. As with World-Xecution, they installed licensed securities professionals as officers and executives of BD No. 5. Librati and his partners capitalized BD No. 5 with millions of dollars. Librati and his partner each owned a 38-percent stake in BD No. 5, and the other partners collectively owned a 24-percent stake in BD No. 5. As time went on, they brought on additional partners, and Librati sold his remaining 33 percent ownership in August 2016.
33. BD No. 5 provided market access to Fund B beginning in July 2014. BD No. 5 also introduced Fund B's order flow to BD No. 2, a registered broker-dealer, between July

2014 and July 2015. BD No. 5 has introduced Fund B's order flow to BD No. 6, a registered broker-dealer, since approximately July 2015.

34. Librati was indirectly involved in the development of a trade surveillance system at BD No. 5.
35. Fund A and Fund B generated substantial revenues for Librati and his partners, and a portion of these revenues resulted from transactions involving layering and spoofing, including transactions not detected by the surveillance system at BD No. 5.
36. As noted above, Fund A and Fund B profited by retaining between 10 and 15 percent of net revenues from their trading, including the portion from layering, and Librati and his partners profited as owners of Fund A and Fund B. Although the total amount has not been quantified, Fund A and Fund B kept any unpaid profits from traders terminated due to suspicious trading.
37. World-Xecution also profited from transactions executed by Fund A, including those involving layering, through commissions, fees, and rebates. Librati and his partners also profited through ownership of BD No. 5, which introduced and executed Fund A's and Fund B's trades.
38. As set forth above, when relationships ended between unaffiliated broker-dealers and Fund A or World-Xecution, Librati and his partners established relationships with other registered broker-dealers and created their own registered broker-dealer, BD No. 5, to ensure continued market access for Fund A and Fund B.
39. Librati directed that certain steps be taken to address Fund A's and Fund B's layering, but his efforts focused on individual instances of layering by individual traders. Librati directed that individual traders be terminated and substantially shrank the business transacted, but he never otherwise changed Fund A's or Fund B's business model or took action to prevent their manipulative activity. Fund A and Fund B kept the unpaid profits that the terminated traders generated. Librati directly or indirectly controlled Fund A and Fund B while fund traders engaged in layering, and layering continued through Fund A and Fund B in varying degrees for years.
40. At least three registered broker-dealers who executed Fund A's order flow were charged or settled disciplinary actions in connection with Fund A's trading. In June 2014, the SEC charged BD No. 1 with numerous violations, including failing to reasonably supervise to prevent or detect pre-arranged trading, wash trades, and layering, a portion of which consisted of Fund A's trades. In August 2014, FINRA filed a complaint against BD No. 1 for violating its supervisory obligations, and Fund A's trading constituted most of the trading that BD No. 1 failed to supervise. The same day FINRA filed its complaint, BD No. 5's chief compliance officer circulated a copy of the complaint to Librati. Later, in 2014 and 2015, the SEC and multiple self-regulatory organizations collectively fined BD



No. 1 over \$4.2 million for failing to supervise its direct market access business, including in part for failing to prevent or detect Fund A's layering.

41. In 2015, FINRA and multiple exchanges censured and imposed a fine of \$1 million against BD No. 2 for inadequate supervision of layering, among other things, and some of the trading was attributable to Fund A.
42. In April 2018, FINRA and multiple exchanges censured and imposed a fine of \$1,575,000 against BD No. 3 for violations of SEC Rule 15c3-5 and inadequate supervision of layering, among other things, and some of the conduct was attributable to Fund A.

#### *World-Xecution's Deficient Supervision*

43. World-Xecution took limited steps to give the appearance of preventing layering by certain Fund A and Fund B traders, but those steps were ineffective. World-Xecution terminated individual traders rather than the accounts as a whole, even though the traders had no ownership interests in the accounts. In addition, since Librati and his partners purchased World-Xecution in order to introduce Fund A's order flow, and Librati and his partners and World-Xecution's executives owned Fund A and World-Xecution, their subordinates at World-Xecution could not realistically terminate Fund A as an account.
44. World-Xecution failed to establish, maintain, and enforce supervisory systems, including written procedures and separate systems of follow-up and review, reasonably designed to detect and prevent manipulative trading activity and fraud, including by affiliates, Fund A and Fund B.
45. World-Xecution's surveillance practices and exception reports were deficient. Certain employees with compliance responsibilities were unfamiliar with the firm's written supervisory procedures (which were also deficient), and World-Xecution ignored multiple red flags. The built-in conflicts of interest, deficiencies in World-Xecution's exception reports, and inadequate written supervisory procedures allowed World-Xecution to continue facilitating the manipulative activity.
46. FINRA staff members identified over 200,000 instances of apparent layering and spoofing by certain traders for Fund A from January 2012 to January 2013, with more than 150,000 occurring between August 2012 and January 2013. These instances generated numerous regulatory inquiries that, together with World-Xecution's own surveillances, served as red flags that Fund A was engaging in manipulative trading.
47. From January to March 2012, World-Xecution lacked exception reports to monitor for manipulative activity other than deficient wash sale reports it received from BD No. 1, which were the only reports that BD No. 1 provided to World-Xecution. Before March 2012, World-Xecution did not review exception reports. In March 2012, World-Xecution

developed exception reports to identify the ratio of cancellations to executions, marking the close, spoofing, and wash sales, and performed a retroactive review of trading activity. The reports, however, did not function consistently. Intermittent interruptions stopped World-Xecution from reviewing regularly to detect manipulative activity for at least three months. Once functioning, the reports provided the reviewer with aggregate summary level information and allowed access to details regarding identified activity, but it was at the reviewer's discretion to determine what activity, if any, required further review. World-Xecution lacked written procedures outlining steps for reviewing the exception reports, and lacked uniformity in selection criteria or in a method of conducting reviews. The individuals responsible for reviewing exception reports did not receive any training on how to review the reports.

48. World-Xecution failed to follow its own procedures for conducting due diligence investigations on new traders at Fund A. According to World-Xecution's procedures, it was required to investigate and verify identities for all new customers, including "agents with trading authority on behalf of a customer, even if they are not the beneficial owner of the account." In January 2012, however, World-Xecution authorized 2,482 traders to trade for Fund A for two months without performing background checks or verifying any traders' identifications and allowing individual traders to trade under multiple trader identification numbers.
49. World-Xecution failed to stop layering and spoofing by its affiliate, Fund A. The volume of layering, particularly between August 2012 and January 2013, evidences that World-Xecution failed to supervise reasonably.

#### *Summary of Violations*

50. By reason of the conduct described above, Fund A and Fund B directly or indirectly, acting intentionally, knowingly or recklessly, by the use of the mails or means or instrumentalities of interstate commerce, or a facility of a national securities exchange, effected, alone or with one or more other persons, a series of transactions in securities creating actual or apparent active trading in such securities, or raising or depressing the price of such securities, for the purpose of inducing the purchase or sale of such securities by others.
51. Fund A and Fund B, directly or indirectly, acting intentionally, knowingly or recklessly, in connection with the purchase or sale of securities, by use of the means or instrumentalities of interstate commerce or the facilities of a national securities exchange or the mail: (a) employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of business which operated or would have operated as fraud or deceit upon other persons.
52. As a result of the foregoing conduct, Fund A and Fund B violated Exchange Act Sections 9(a)(2) and 10(b), and Rule 10b-5(a) and (c) thereunder.

53. By reason of the conduct described above, Librati directly or indirectly controlled Fund A and Fund B. Accordingly, pursuant to Section 20(a) of the Exchange Act, Librati is liable as a controlling person for Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, and Rule 10b-5(a) and (c) thereunder. Librati's conduct in controlling persons that violated Sections 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder was willful.
54. Pursuant to NYSE Arca Rule 2010, Librati was required to observe high standards of commercial honor and just and equitable principles of trade. As set forth above, Fund A and Fund B knowingly and recklessly engaged in manipulative trading in violation of Exchange Act Sections 9(a)(2) and 10(b), and Rule 10b-5(a) and (c) thereunder. In addition, Fund A and Fund B, in connection with the offer or sale of securities, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in a transaction, practice, or course of business which operated or would have operated as a fraud or deceit upon the purchaser, thereby violating Section 17(a)(3) of the Securities Act. By controlling firms that violated the Exchange Act and the Securities Act, Librati violated NYSE Arca Rule 2010.
55. World-Xecution violated NYSE Arca Rule 2010 by knowingly or recklessly rendering substantial assistance to, and thereby aiding and abetting, Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act.
56. By reason of the conduct described above, Librati violated NYSE Arca Rule 2010 by controlling World-Xecution, which violated NYSE Arca Rule 2010 by knowingly or recklessly rendering substantial assistance to and thereby aiding and abetting Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act.
57. World-Xecution failed to reasonably supervise its affiliates' Fund A's and Fund B's orders and trading activity to detect and prevent their manipulative activity, despite numerous red flags that should have alerted World-Xecution to Fund A's and Fund B's layering. By virtue of the foregoing, World-Xecution violated NYSE Arca Rules 11.18 and 2010.
58. World-Xecution engaged in conduct inconsistent with just and equitable principles of trade by introducing the order flow, including layering, of its affiliate, Fund A, despite numerous red flags. By virtue of the foregoing, World-Xecution violated NYSE Arca Rule 2010.

## ORDER

Simon Librati is liable, pursuant to Section 20(a) of the Exchange Act, for Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, and Rule 10b-5(a) and (c) thereunder.

Librati was required, pursuant to NYSE Arca Rule 2010, to observe high standards of commercial honor and just and equitable principles of trade. As set forth above, Fund A and Fund B knowingly and recklessly engaged in manipulative trading in violation of Exchange Act Sections 9(a)(2) and 10(b), and Rule 10b-5(a) and (c) thereunder. In addition, Fund A and Fund B, in connection with the offer or sale of securities, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in a transaction, practice, or course of business which operated or would have operated as a fraud or deceit upon the purchaser, thereby violating Section 17(a)(3) of the Securities Act. By controlling firms that violated the Exchange Act and the Securities Act, Librati violated NYSE Arca Rule 2010.

Librati violated NYSE Arca Rule 2010 by controlling World-Xecution, which violated NYSE Arca Rule 2010 by knowingly or recklessly rendering substantial assistance to, and thereby aiding and abetting, Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act.

SMF Trading, Inc., d/b/a World-Xecution Strategies violated NYSE Arca Rule 2010 by knowingly or recklessly rendering substantial assistance to, and thereby aiding and abetting, Fund A's and Fund B's violations of Sections 9(a)(2) and 10(b) of the Exchange Act, Rule 10b-5, and Section 17(a)(3) of the Securities Act.

World-Xecution failed to reasonably supervise its affiliates' Fund A's and Fund B's orders and trading activity to detect and prevent their manipulative activity, despite numerous red flags that should have alerted World-Xecution to Fund A's and Fund B's layering and spoofing. By virtue of the foregoing, World-Xecution violated NYSE Arca Rules 11.18 and 2010.

World-Xecution engaged in conduct inconsistent with just and equitable principles of trade in violation of NYSE Arca Rule 2010 by introducing the toxic order flow, including layering and spoofing, of its affiliates, Fund A and Fund B, despite numerous red flags.


## SANCTIONS

Simon Librati is suspended from associating with any Equities Trading Permit Holder or NYSE Arca Inc. member in any capacity for five years.

SMF Trading, Inc., d/b/a World-Xecution Strategies is expelled.

Librati and World-Xecution shall pay a joint and several fine of \$60,000.<sup>6</sup>

These sanctions are effective immediately.

  
Richard E. Simpson  
Hearing Officer

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<sup>6</sup> Librati and World-Xecution shall pay a joint and several fine totalling \$400,000, of which \$60,000 shall be paid to NYSE Arca and the remaining amount shall be paid to The NASDAQ Stock Market LLC, NYSE American LLC, Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc.