

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3853 / June 11, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15925

In the Matter of

MICHAEL S. STEINBERG,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Michael S. Steinberg (“Respondent” or “Steinberg”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Steinberg, age 42, resides in New York, New York. Starting in 1996, Steinberg was employed at Sigma Capital Management, LLC (“Sigma Capital”), an investment adviser located in New York, New York that is a wholly-owned subsidiary of S.A.C. Capital Advisors, L.P. (“SAC LP”) and which was registered with the Commission in reliance on the registration of SAC LP from March 2012 until April 11, 2014. Steinberg worked as a portfolio manager at Sigma Capital, managing a portfolio of approximately \$100 million and supervising a team of research analysts and traders.

B. RESPONDENT'S CRIMINAL CONVICTION

2. On December 18, 2013, Steinberg was convicted of one count of conspiracy to commit securities fraud and four counts of securities fraud in violation of Section 10(b) of the Exchange Act before the United States District Court for the Southern District of New York, in United States v. Steinberg, 1:12-cr-121 (RJS). On May 16, 2014, a final judgment in the criminal case was imposed against Steinberg. Steinberg was sentenced to a prison term of 42 months followed by three years of supervised release. He was also ordered to pay a fine of \$2 million and \$365,142.30 in criminal forfeiture.

3. The counts of the indictment pursuant to which Steinberg was convicted alleged, among other things, that Steinberg employed devices and schemes to defraud by executing and/or causing others to execute, securities trades on behalf of Sigma Capital based on material nonpublic information. Specifically, the indictment charged that in 2008 and 2009, Steinberg executed or caused others to execute trades based on material nonpublic information provided to him by Sigma Capital research analyst Jon Horvath knowing that such information had been disclosed by public company employees in violation of their duties of trust and confidence owed to their employers.¹

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

¹ In addition to being charged in the criminal case, Steinberg has also been sued by the Commission in a civil injunctive action, SEC v. Steinberg, 13-cv-2082 (S.D.N.Y.). The Commission's complaint alleges, among other things, that Steinberg is liable for insider trading based on the conduct that formed the basis of the criminal indictment, as well as additional insider trading conduct. An injunction has not been entered against Steinberg in the Commission's civil action. This proceeding is based solely on the conviction described in Section II.B.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jill M. Peterson
Assistant Secretary