

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**May 21, 2009**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13481**

**In the Matter of**

**David G. Ghysels, Kenneth E.  
Mahaffy, Jr., and Linus N.  
Nwaigwe,**

**Respondents.**

**CORRECTED**  
**ORDER INSTITUTING ADMINISTRATIVE**  
**PROCEEDINGS PURSUANT TO SECTION**  
**15(b) OF THE SECURITIES EXCHANGE**  
**ACT OF 1934 AND 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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against David G. Ghysels (“Ghysels”), Kenneth E. Mahaffy, Jr. (“Mahaffy”), and Linus N. Nwaigwe (“Nwaigwe”) (collectively, “Respondents”) and pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Ghysels and Mahaffy.

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENTS**

1.       Ghysels was employed from approximately March 27, 2001 through March 28, 2003, by Lehman Brothers, Inc. (“Lehman”) as a registered representative in its Palm Beach, Florida office. From approximately April 10, 2003 through May 1, 2005, Citigroup employed Ghysels as a registered representative in its Boca Raton, Florida office. Ghysels was subsequently employed at Geoffrey Richards Securities Corp. in Delray Beach, Florida. Ghysels has had a

Series 7 license since November 1983. For a portion of the time in which he engaged in the conduct underlying the information described below, Ghysels was associated with a broker-dealer and investment adviser registered with the Commission.

2. Mahaffy was employed from approximately December 8, 1997 through February 19, 2003, at Merrill Lynch, Pierce, Fenner, & Smith, Inc. (“Merrill”) as a registered representative in its Garden City, New York office. From February 19, 2003 through 2005, Mahaffy was a registered representative at Citigroup Global Markets, Inc. (“Citigroup”) in its Farmingdale, New York office. Mahaffy has had a Series 7 license since March 1997. Mahaffy was a foreign exchange broker from January 1989 through January 1997. For a portion of the time in which he engaged in the conduct underlying the information described below, Mahaffy was associated with a broker-dealer and investment adviser registered with the Commission.

3. Nwaigwe was director of compliance at A.B. Watley, Inc. (“Watley”), a day trading firm registered with the Commission as a broker-dealer from approximately October 2001 through 2004. Nwaigwe has a Series 7 license. For a portion of the time in which he engaged in the conduct underlying the information described below, Nwaigwe was associated with a broker-dealer registered with the Commission.

#### B. RESPONDENTS’ CRIMINAL CASES

1. On April 22, 2009, Respondents were found guilty of one count of conspiracy to commit securities fraud, a felony, in the United States District Court in the Eastern District of New York. U.S. v. Mahaffy, No. 05-CR-613 (JG) (E.D.N.Y. April 22, 2009).

2. The conspiracy count of the criminal information of which Respondents were found guilty alleges, inter alia, that, while associated with a broker-dealer, Respondents participated in a scheme to provide access to “squawk boxes” to Watley to broadcast confidential information so its day traders could improperly trade ahead of the broker-dealers’ institutional orders.

### 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 are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act.

C. What, if any, remedial action is appropriate in the public interest against Ghysels and Mahaffy 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.

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 Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against each of them 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 Respondents 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.

Elizabeth M. Murphy  
Secretary