

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 82624 / February 2, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18356

In the Matter of

Craig Karlis,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

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 Craig Karlis (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraphs III.3. and 5. below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities and Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Boston Trading and Research, LLC (“BTR”) was a Massachusetts-based limited liability company organized under the laws of Delaware in or about January 2007. BTR offered investors the opportunity to invest money to be traded in foreign currency. BTR typically required a minimum investment of \$10,000. Prospective investors could join BTR’s trading platform by signing a limited power of attorney that granted BTR, through a principal, the right to trade their funds in foreign currency. Investors deposited money with BTR with an expectation that profits would be produced by the efforts of BTR. Investor funds were pooled for the purposes of trading in foreign currency.

2. From 2007 through approximately August 2008, Karlis was BTR’s managing director and one of its three owners. Karlis, directly or indirectly, solicited investors on behalf of BTR through marketing materials, presentations, BTR’s website, and salespeople. Salespeople received compensation, including a percentage of profits and rebates from per-trade commissions, for providing these services to BTR.

3. On December 12, 2017, a final judgment was entered by consent against Karlis, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”), and Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Boston Trading and Research, LLC, et al., Civil Action Number 10-cv-11841, in the United States District Court for the District of Massachusetts.

4. The Commission’s complaint alleged, among other things, that in connection with the sale of BTR’s securities, Karlis misappropriated investor money for his own personal purposes, including funding BTR’s operations, personal expenses, and expenses for other companies with which he was associated. The Commission’s complaint alleged that BTR, with Karlis’ knowledge or reckless disregard, traded investor money without full disclosure to investors, and in ways inconsistent with BTR’s representations to investors. The Commission’s complaint further alleged that Karlis effected transactions in, or induced or attempted to induce the purchase or sale of, securities, without being registered as a broker or dealer in accordance with Section 15(b) of the Exchange Act.

5. On March 7, 2014, Karlis pled guilty to nine counts of wire fraud in violation of Title 18 United States Code, Section 1343, and two counts of filing false tax documents in violation of Title 26 United States Code, Sections 7203 and 7206, before the United States District Court for the District of Massachusetts, in United States v. Craig Karlis, et al., 10-cr-10319. On September 18, 2014, a judgment in the criminal case was entered against Karlis. He was sentenced to a prison term of 108 months, followed by three years of supervised release, and ordered to make restitution in the amount of \$4,378,356.

6. The nine counts of wire fraud of the indictment to which Karlis pled guilty alleged, among other things, that Karlis defrauded investors and obtained money and property by means of materially false and misleading statements, and that he used interstate wires in furtherance of the fraud. The first tax fraud count arose out of a false statement of assets Karlis filed in connection

with years of IRS efforts to collect back taxes from him. Among other things, Karlis failed to report a \$600,000 house that he had paid for, in cash, with BTR investor money. The second tax fraud count stemmed from Karlis' false 2008 tax return, which failed to report approximately \$1,300,000 in income he received from BTR that year.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act, that Respondent be, and hereby is barred from association with any broker or dealer.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary