

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 7026 / October 14, 2026

ADMINISTRATIVE PROCEEDING
File No. 3-22774

In the Matter of

**STEPHEN KENNETH
LEECH II,**

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940,
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 against Stephen Kenneth Leech II (“Respondent” or “Leech”) pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which 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, and without admitting the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in paragraph III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, 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. Leech, age 72, resides in Pasadena, California. Leech began working at Western Asset Management Company, LLC (“Western Asset”) as a portfolio manager in 1990. Western Asset has been registered as an investment adviser with the Commission since 1971. Leech served as Western Asset’s chief investment officer (“CIO”) between 1998 and 2008 and took up the role again beginning in 2013. In August 2023, Western Asset appointed a co-CIO to share Leech’s responsibilities. In August 2024, Western Asset announced that Leech had taken a leave of absence from his position as co-CIO, and in August 2025, Leech retired from the firm.

2. On October 7, 2026, a final judgment was entered by consent against Leech, permanently enjoining him from violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Advisers Act, and Section 36(a) of the Investment Company Act of 1940, as set forth in the judgment entered in the civil action entitled Securities and Exchange Commission v. Stephen Kenneth Leech, Civil Action Number 1:24-cv-09017, in the United States District Court for the Southern District of New York.

3. The Commission’s complaint in Securities and Exchange Commission v. Stephen Kenneth Leech alleged that Leech engaged in a years-long fraudulent “cherry-picking” scheme in which he disproportionately allocated better performing trades to certain favored portfolios, and worse performing trades to other portfolios. The complaint alleged, among other things, that (i) from at least January 2021 through October 2023, Leech did not allocate trades to specific portfolios at or near the time he placed his trades; (ii) instead, he typically allocated trades hours later, often waiting until near or even after the time the futures markets set daily settlement prices; (iii) in the interim, Leech had the opportunity to see whether the market value of his trades went up or down; and (iv) as a result, Leech was able to cherry-pick trades, allocating trades with realized and unrealized first-day gains to favored portfolios and trades with realized and unrealized first-day losses to disfavored portfolios.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Leech be, and hereby is, barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any application for reentry by the Respondent will be made to the appropriate self regulatory organization, or if there is none, to the Commission by contacting the Division of Enforcement’s Office of Chief Counsel at ENF-Reentry@sec.gov, and will be subject to the applicable laws and regulations governing the reentry process. Reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission’s order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (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.

Vanessa A. Countryman
Secretary