

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 59957 / May 21, 2009

CORRECTED

INVESTMENT ADVISERS ACT OF 1940
Release No. 2877 / May 21, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13481

IN THE MATTER OF DAVID G. GHYSELS, KENNETH E. MAHAFFY, JR., AND
LINUS N. NWAIGWE

The United States Securities and Exchange Commission (Commission) announced the issuance of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities and Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 And Notice of Hearing (Order) against David G. Ghysels (Ghysels), Kenneth E. Mahaffy, Jr. (Mahaffy), and Linus N. Nwaigwe (Nwaigwe) (collectively, Respondents). The Order alleges that:

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.

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.

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 Respondents engaged in the conduct underlying the information described below, Respondents were associated with a broker-dealer registered with the Commission, and Ghysels and Mahaffy were also associated with an investment adviser registered with the Commission.

The Order further alleges that 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). 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.

Based on the above, the Order states that the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine whether the allegations set forth in the Order are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations, and to determine what, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide Ghysels, Mahaffy and Nwaigwe an opportunity to respond to these allegations, and to determine what sanctions, if any, are appropriate and in the public interest. As directed by the Commission, an administrative law judge shall issue an initial decision in this matter no later than 210 days from the date of service of the Order Instituting Proceedings.