

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 69969 / July 11, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3625 / July 11, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15374

In the Matter of

DAVID KUGEL,

Respondent.

**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,
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”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against David Kugel (“Respondent”).

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, Respondent consents to the entry of this 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, 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. Kugel was an arbitrage securities trader and trading compliance analyst at Bernard L. Madoff Investment Securities, Inc. (BMIS), an investment adviser and broker-dealer registered with the Commission. Kugel was also a registered representative associated with BMIS. Kugel, 67 years old, is a resident of Manhasset, New York.

2. On November 28, 2011, a final judgment was entered by consent against Kugel, permanently enjoining him from (a) violating or aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, (b) violating or aiding and abetting violations of Sections 206(1) and 206(2) of the Advisers Act, (c) aiding and abetting violations of Sections 15(c) and 17(a) of the Exchange Act and Rules 10b-3 and 17a-3 thereunder, and (d) aiding and abetting violations of Section 204 of the Advisers Act and Rule 204-2 thereunder in the civil action entitled Securities and Exchange Commission v. David Kugel, Civil Action Number 11-CV-8434, in the United States District Court for the Southern District of New York.

3. The Commission's complaint alleged that, from the 1970s to 2008, Kugel knowingly participated in the creation of false account statements supplied to BMIS's clients. The complaint also alleged that Kugel helped create fictional trades that were recorded on trade tickets, trade confirms, and client account statements, and aided and abetted the fraud that Bernard Madoff and BMIS perpetrated on BMIS's investment advisory ("IA") clients.

4. On November 21, 2011, Respondent pled guilty to securities fraud, falsifying records of an investment adviser, falsifying records of a broker-dealer, bank fraud, and conspiracy to commit securities fraud, to falsify records of a broker-dealer, and to falsify records of an investment adviser, before the United States District Court for the Southern District of New York, in United States v. David Kugel, Crim. Information No. S4 10 CR 228.

5. The counts of the criminal information to which Kugel pled guilty alleged, inter alia, that beginning in or about the 1970s, Respondent provided historical information to other BMIS employees from which they created fake trades for the firm's investment advisory clients.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Kugel be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

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.

Elizabeth M. Murphy
Secretary