

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**Securities Exchange Act of 1934**  
**Release No. 73350 / October 15, 2014**

**Investment Advisers Act of 1940**  
**Release No. 3947 / October 15, 2014**

**Administrative Proceeding**  
**File No. 3-16195**

**In the Matter of**

**JUDY K. WOLF,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
AND SECTIONS 203(f) AND 203(k) 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 and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 203(f) and 203(k) the Investment Advisers Act of 1940 (“Advisers Act”) against Judy K. Wolf (“Wolf” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement (the “Division”) alleges that:

**A. SUMMARY**

1. This action results from violations of the recordkeeping requirements of the Exchange Act and the record production requirements Advisers Act that Wolf willfully aided and abetted and caused while she was employed as a compliance officer at Wells Fargo Advisors, LLC (“Wells Fargo Advisors”), a dually registered broker-dealer and investment adviser. Wolf altered a document that was produced to Commission staff during an investigation that was seeking to determine, among other things, whether a Wells Fargo Advisors registered

representative committed insider trading and whether Wells Fargo Advisors failed to establish, maintain, and enforce written policies and procedures to prevent the misuse of material nonpublic information as required by Section 15(g) of the Exchange Act and Section 204A of the Advisers Act.

2. Wolf worked in a unit of the Wells Fargo Advisors' compliance department, the Retail Control Group, where she had direct responsibility for implementing certain of the firm's policies and procedures to prevent the misuse of material nonpublic information. Wolf was responsible for identifying potentially suspicious trading by the firm's personnel and its customers and clients and then analyzing whether trades may have been based on material nonpublic information. Wolf's trading reviews were referred to as "look back" reviews.

3. In this context, Wolf altered a document that summarized her review of a registered representative's trading that was produced to the Commission staff. Wolf first created the document in September 2010 at the time that she reviewed the registered representative's trading and closed her review with no findings. In December 2012, over two years after that review, after the Commission had filed an action against the registered representative for insider trading, and during the Commission's continuing investigation, Wolf altered the document. Wolf's alteration resulted in the document containing additional information about the extent of her review of the trading in September 2010. The alteration made it appear that Wolf performed a more thorough review than she actually did in September 2010.

4. In particular, Wolf added to the document a statement that rumors about an acquisition had been circulating for several weeks before the acquisition announcement. If Wolf had reviewed news articles during her review substantiating that statement, Wells Fargo Advisors' policies and procedures required Wolf to print and include them in her file. The file did not contain any news articles at all.

5. Wells Fargo Advisors produced the altered document in response to a Commission staff request for documents and made no mention it had been altered.

6. Wolf provided inconsistent information about the document when she was questioned during the Commission's investigation about her review of the trading. In her initial testimony, Wolf said she created the document in September 2010 when she performed the look back review. She also unequivocally denied altering the document after September 2010. In later investigative testimony, however, Wolf testified that she *had* altered the document after September 2010.

7. When questions arose surrounding the alteration of the document, Wells Fargo Advisors placed Wolf on administrative leave and eventually terminated her employment.

8. The recordkeeping requirements that Section 17(a) of the Exchange Act and Section 204(a) of the Advisers Act impose on broker-dealers and investment advisers are essential to the Commission's ability to enforce the federal securities laws and to protect investors. Wolf's alteration prolonged the Commission's ability to discharge its investigative

and law enforcement responsibilities. By producing the altered document without any mention that the document had been altered, Wells Fargo Advisors did not produce a true, complete and current copy of the document that existed at time of the staff's request, thereby violating the books and records requirements applicable to broker-dealers and investment advisers. By altering the document, Wolf willfully aided and abetted and caused Wells Fargo Advisors' violations of Section 17(a) of the Exchange Act and Rule 17a-4(j) thereunder and Rule 204(a) of the Advisers Act.

## **B. RESPONDENT**

9. **Wolf**, a resident of St. Louis, Missouri, held the title of "compliance consultant" in the Retail Control Group of Wells Fargo Advisors or its predecessor entities from 2004 to June 13, 2013, when she was terminated by Wells Fargo Advisors. While associated with Wells Fargo Advisors, Wolf held Series 7, 24, 63, and 65 securities licenses. Wolf started working in the securities industry in 1990 when she first became licensed.

## **C. FACTUAL ALLEGATIONS**

### ***1. Wells Fargo Advisors' Obligations to Prevent the Misuse of Material Nonpublic Information***

10. As a dually registered broker-dealer and investment adviser, Wells Fargo Advisors is required under Section 15(g) of the Exchange Act and Section 204A of the Advisers Act to establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of its business, to prevent the misuse of material nonpublic information. Wells Fargo Advisors' business focuses on retail brokerage services. By providing retail services to customers and advisory clients who may be company insiders or have access to material nonpublic information, these customers and advisory clients, and the Wells Fargo Advisors registered representatives and advisory personnel who handle their accounts, can come into possession of such information. The risk that these customers and clients and Wells Fargo Advisors' personnel could come into possession of, and misuse, material nonpublic information was included by Wolf in Wells Fargo Advisors' policies and procedures for conducting look back reviews from at least early 2009 through April 2013.

### ***2. Wolf's Responsibilities for Implementing the Policies and Procedures and Conducting Look Back Reviews***

11. In early 2009, Wolf drafted Wells Fargo Advisors' policies and procedures governing how she was to conduct look back reviews. In doing so, Wolf was aware of the risk that Wells Fargo Advisors personnel could obtain material nonpublic information from the firm's customers and advisory clients and she understood that conducting effective look back reviews was an important part of Wells Fargo Advisors satisfying its regulatory obligations. Between 2009 through at least March 2013, Wolf was the sole compliance officer at Wells Fargo Advisors responsible for conducting look back reviews. During that period, Wolf conducted look back reviews and closed the vast majority of them with "no findings."

12. Wolf maintained a log enumerating the reviews she conducted and recorded the disposition of each review in the log. Wolf did not document routinely the reasons for closing look back reviews, but she relied on the log to identify the reviews she closed with “no findings.” In certain instances, she input into the log additional information about the reasons for closing reviews and would note anything of particular interest she wanted to memorialize. Wolf and her manager relied on the log and Wolf shared excerpts from the log when her supervisor or others had questions about a particular look back review.

13. Wolf created a cover page for each look back review she performed by copying the contents from the relevant entry on her log and printing the entry to place in the hardcopy file. Wells Fargo Advisors’ procedures required Wolf to print news stories for the file contemporaneously with conducting look back reviews. According to the procedures Wolf drafted, these files had a six year retention period.

**a. Trading in Burger King Securities**

**i. The Underlying Securities Law Violations**

14. Waldyr Da Silva Prado Neto (“Prado”) was a registered representative and associated person of Wells Fargo Advisors in a branch office in Miami. In September 2012, the Commission charged Prado with trading the securities of Burger King on the basis of material, nonpublic information concerning the September 2, 2010 announcement that 3G Capital Partners Ltd. (“3G Capital”), a private equity firm, would acquire Burger King and take it private (the “Announcement”).<sup>1</sup> The Commission alleged that Prado, who held Series 7 and 65 registrations and while an employee of Wells Fargo Advisors, misappropriated information about the acquisition from one of his brokerage customers who invested in the private equity fund 3G Capital used to acquire Burger King. The Commission alleged that Prado traded Burger King securities through his personal Wells Fargo Advisors brokerage account and that Prado tipped several of his other brokerage customers, including at least three tippees who traded Burger King securities through their Wells Fargo Advisors accounts. The Commission alleged that Prado and his tippees reaped profits of over \$2 million in total from their Burger King trades, which included trading through Wells Fargo Advisors and another firm.

---

<sup>1</sup> *SEC v. Waldyr Da Silva Prado Neto*, Civil Action No. 12-CIV-7094 (SDNY Sept. 20, 2012); Litigation Release No. 22486 (Sept. 21, 2012). Prado was permanently enjoined from committing future violations on January 7, 2014. Litigation Release No. 22905 (Jan. 14, 2014). Based on the court’s entry of the permanent injunction, follow-on administrative proceedings were instituted against Prado. Exchange Act Release No. 71379 (Jan. 23, 2014). The Initial Decision barring Prado was issued on May 20, 2014. Initial Decision Release No. 600 (May 20, 2014). The Initial Decision became final on July 1, 2014. Exchange Act Release No. 72513 (July 1, 2014). Prado was also criminally charged with conspiracy to commit securities fraud, securities fraud, and fraud in connection with a tender offer in *USA v. Waldyr Prado, et al.*, SDNY Case No. 13MAG2201 (Sept. 13, 2013).

*ii. Wolf's Look Back Review of Trading in Burger King Securities*

15. Beginning on September 2, 2010, Wolf conducted a look back review of trading in Burger King securities at Wells Fargo Advisors before the Announcement by Prado and three of his customers. Wolf determined that:

- a. Prado and his customers represented the top four positions in Burger King securities firm-wide;
- b. Prado and his customers bought Burger King securities within 10 days before the Announcement, including on the same days;
- c. The profits by Prado and his customers each exceeded the \$5,000 threshold specified in the look back review procedures;
- d. Both Prado and Burger King were located in Miami; and
- e. Prado, his customers, and the company acquiring Burger King were all Brazilian.

16. Wolf determined at the time of her review that each of these factors was not a “red flag” that would require follow up with Prado and his branch manager. She did not contact the branch, did not take any further steps, did not escalate the matter to her manager, and closed the review with “no findings.” Although the procedures in effect at the time required news articles to be printed for the file, Wolf’s file did not contain printouts of any such articles. Contemporaneous with her review, Wolf noted on her log that Burger King was being acquired by 3G Capital for \$24 per share and that the stock price opened 24% higher on September 2, 2010 than the previous day’s closing price.

17. Because Wolf closed the Burger King trading review with no findings, her supervisors within the compliance department were unaware that she conducted the review of trading by Prado that may have been based on material nonpublic information he obtained from a client or customer of the firm. The supervisors first learned that she had reviewed the trading in September 2012, when the Commission charged Prado with insider trading. About a week after the Commission charged Prado, one of Wolf’s supervisors asked if she reviewed the trading in September 2010. Wolf reported she performed a review. She also retrieved her look back files for Burger King from offsite storage and began to perform additional work on Burger King although no one asked her to. Over the next several months Wolf progressively provided additional justifications to her supervisors why she closed the review with no findings. The additional justifications were not reflected in the log or documented in the September 2010 file.

**3. *Wolf Altered a Document Related to her Burger King Look Back Review that Was Produced to the Commission Staff***

18. In July 2012, during the investigation by the Commission, the staff requested, among other things, that Wells Fargo Advisors produce all “compliance files including but not

limited to reviews, inquiries, or complaints” relating to Prado that was not limited to any timeframe. Wells Fargo Advisors certified its production as complete in early September 2012, but the production did not contain any of Wolf’s or the Retail Control Group’s files.

19. The staff expanded its request in December 2012 for any compliance files not only related to Prado but for trading in Burger King securities. In January 2013, Wells Fargo Advisors produced documents relating to Wolf’s look back review of trading in Burger King securities by Prado and his customers. The production included the Burger King file Wolf created in September 2010 that contained as a cover page the excerpt from the log that referenced the Burger King look back review. Wolf learned by at least January 2013 that Wells Fargo Advisors had produced her Burger King file to the Commission staff.

20. As produced by Wells Fargo Advisors in January 2013, Wolf’s log stated: “09/02/10 opened 24% higher@ \$23.35 vs. previous close of \$18.86. Rumors of acquisition by a private equity group had been circulating for several weeks prior to the announcement. The stock price was up 15% on 9/1/12 [sic], the day prior to the announcement.”

21. Wolf provided contradictory testimony before the Commission staff about the log. During her initial testimony, in March, 2013, Wolf testified that she created the Burger King log entry in September 2010 when she performed the look back review. Wolf denied altering the document after September 2010. When questioned by the staff about the discrepancy in the different years referenced in the log entry – “09/02/10” compared to “9/1/12” – Wolf testified that “9/1/12” was a typo that she made in September 2010. Wolf also claimed that one of the reasons she closed the review with no findings was new articles reported that rumors had been circulating for several weeks prior to the announcement. Although the policies and procedures required Wolf to print such news articles for the file, her file contained no such articles printed in September 2010.

22. Wells Fargo Advisors produced the altered document without any mention it had been altered. Following Wolf’s testimony, however, Wells Fargo Advisors produced documents indicating that the Burger King log entry had, in fact, been altered on December 28, 2012. In particular, Wells Fargo Advisors produced prior iterations of the log that did not show the sentences that Wolf later added. Metadata for the version that included the additional lines of text showed that Wolf was the last person to alter the log before its production to the staff.

23. In March 2013 Wells Fargo Advisors placed Wolf on administrative leave and terminated her employment with the firm in June 2013. Wells Fargo Advisors filed a Form U5, which stated that Wolf was “terminated after questions raised during regulatory matter concerning the accuracy of information provided by the team member.”

24. After the termination of her employment, the Commission staff took Wolf’s testimony a second time, where she was confronted with the additional documents and metadata produced by Wells Fargo to the Commission. In the face of that additional evidence, Wolf finally admitted that she performed additional work on Burger King in 2012, although no one had asked her to. She also admitted she added the two sentences to the log entry after September

2010, but claimed she did not know when she added them. Finally, she admitted that her initial testimony before the Commission, where she had denied altering her records of look back review, was not true and correct.

#### **D. VIOLATIONS**

25. As a result of the conduct described above, Wolf willfully aided and abetted and caused Wells Fargo Advisors' violation of Section 17(a) of the Exchange Act and Rule 17a-4(j) thereunder, which require broker-dealers to "furnish promptly to a representative of the Commission legible, true, complete and current copies of [records required by Rule 17a-4] or . . . any other records of the member, broker, or dealer . . . that are requested by the representative of the Commission." Wolf's alteration of the document, which Wells Fargo Advisors then produced to Commission staff, was a cause of, and willfully aided and abetted, Wells Fargo Advisors' violations of these provisions.<sup>2</sup>

26. As a result of the conduct described above, Wolf willfully aided and abetted and caused Wells Fargo Advisors' violation of Section 204(a) of the Advisers Act, which provides that all records of an investment adviser are subject to examination by the Commission. Wolf's alteration of the document, which Wells Fargo Advisors then produced to Commission staff without mentioning the alteration, was a cause of, and willfully aided and abetted, Wells Fargo Advisors' violation of this provision.

### **III.**

In view of the allegations made by the Division, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, civil penalties pursuant to Section 21B of the Exchange Act; and

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act; and

---

<sup>2</sup> The Commission instituted a settled public administrative and cease-and-desist proceeding against Wells Fargo Advisors, pursuant to Sections 15(b) and 21C of the Exchange Act and 203(e) and 203(k) of the Advisers Act, in which Wells Fargo consented to the issuance of a cease-and-desist order: (1) admitting findings it willfully violated Sections 15(g), 17(a), and 17(b) of the Exchange Act and Rule 17a-4(j) thereunder and Sections 204A and 204(a) of the Advisers Act; (2) censuring it; (3) ordering it to comply with certain undertakings; and (4) ordering it to pay a \$5 million civil money penalty. Exchange Act Release No. 73175 (Sept. 22, 2014).

D. Whether, pursuant to Section 21C of the Exchange Act and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4(j) thereunder, and Section 204(a) of the Advisers Act, and whether Respondent should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act and Section 203(i) 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 not earlier than 30 days and not later than 60 days from service of this Order 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 Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him 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 Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 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.

By the Commission.

Brent J. Fields  
Secretary