

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9999 / December 22, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 76730 / December 22, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31948 / December 22, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-17017

In the Matter of

**SG AMERICAS SECURITIES
LLC
and
YIMIN GE**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS 15(b)
AND 21C OF THE SECURITIES EXCHANGE
ACT OF 1934, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

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)(4) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against SG Americas Securities LLC (“SGAS”), and pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b)(6) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Yimin Ge (“Ge”) (together “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of

these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

1. From October 2011 to June 2013, Ge, then a trader at SGAS, a registered broker-dealer, engaged in a series of unlawful prearranged purchases of fixed-income securities and sales back to two different registered investment advisers, Morgan Stanley Investment Management Inc. (“MSIM”) and “Firm A”.

2. From December 2011 through March 2012, Ge agreed on six separate occasions to buy and then resell bonds with Sheila Huang (“Huang”),² a portfolio manager/trader employed by MSIM. The arrangement was that SGAS would temporarily hold or “park” the bonds before reselling them back to MSIM. Ge agreed to purchase the bonds at prices proposed by Huang, with the agreement and understanding that MSIM would repurchase the positions at slight markups within a few days, thus insulating SGAS from market risk. In accordance with this understanding, instead of offering the bonds to the market, Ge reoffered the bonds back to MSIM at a price slightly above the initial purchase price paid by SGAS.

3. As a result, Ge willfully aided and abetted and caused Huang’s violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder.

4. From October 2011 through June 2013, Ge agreed on 14 occasions to similar unlawful prearranged trades at the request of a trader at Firm A, a different registered investment adviser.

5. Because each relevant purchase from MSIM and Firm A was recorded in SGAS’s books and records without any reference to the resale or reoffer arrangement, SGAS’s books and records were inaccurate. Accordingly, SGAS willfully violated and Ge willfully aided and abetted and caused SGAS’s violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) thereunder. Furthermore, SGAS failed reasonably to supervise Ge within the meaning of Section

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

² MSIM and Huang are named as respondents in separate administrative and cease-and-desist proceedings relating to their conduct described in this Order.

15(b)(4)(E) of the Exchange Act by failing to prevent and detect Ge's violations with respect to the unlawful parking arrangement with Huang.

Respondents

6. **SG Americas Securities, LLC** is a broker-dealer registered with the Commission and is headquartered in New York, New York. It is 100% owned by SG Americas Securities Holdings, LLC, which is a wholly owned subsidiary of Societe Generale, a foreign bank headquartered in Paris, France.

7. **Yimin Ge** is 36 years old and resides in New York. She was a senior trader on SGAS's Non-Agency Mortgage Desk from April 2011 to mid-2014. She was terminated by SGAS in June 2014. In October 2014, Ge, without admitting or denying any of its findings, consented to a permanent bar from associating with any Financial Industry Regulatory Authority ("FINRA") member, based on findings that she engaged in unlawful prearranged trading in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and FINRA rules.

Facts

8. Each of the 20 relevant sets of trades involved a package of bonds which were sold to SGAS by registered investment advisers (MSIM and Firm A) and then sold back to the respective counterparty within a few days, at a small markup. There was no arm's length negotiation of the price in any of these transactions with respect to the repurchase. Almost all of the positions were non-agency collateralized mortgage obligations ("CMOs"). Ge expected that the traders at MSIM and Firm A would follow through and repurchase the bonds within a few days at a slight markup. The understanding was that the bonds would be temporarily parked with SGAS, and that SGAS would be made whole when MSIM and Firm A repurchased the bonds at a slight markup.

9. From Ge's perspective, these buyback trades were not executed to generate profits for the trading desk. Instead, they were done as a courtesy, at the request of the customer, in order to build and maintain the relationship with important buy-side customers. Ge and the traders at MSIM and Firm A agreed to a small markup across all positions reoffered, regardless of the individual characteristics or sizes of the positions. The small markup was primarily determined by the dollar amount required to cover SGAS's ticketing costs.

a. SGAS Trades with MSIM

10. From late 2011 through early 2012, Ge and MSIM engaged in a series of six sets of improper prearranged trades of fixed-income securities, primarily CMOs, initiated by Huang, a portfolio manager/trader employed by MSIM.

11. Each set of MSIM/SGAS trades involved a package of bonds which were sold to SGAS and then repurchased by MSIM the next business day, at a small markup on SGAS's purchase price.

12. For each set of relevant trades with MSIM, Ge recklessly disregarded that she was facilitating Huang's improper parking of bonds with SGAS. Ge understood that MSIM would repurchase the bonds at predetermined prices that were based on the initial sale price plus a small markup, without any arm's length negotiation. Ge conducted a very limited review of the positions, because of her understanding that MSIM would repurchase the bonds, and she never offered the relevant positions to any other potential customers prior to reselling them to MSIM. Ge did not seek an explanation as to why MSIM proposed to sell and repurchase securities at no apparent economic benefit to MSIM, thus insulating SGAS from market risk.

13. Ge facilitated the first set of trades on December 1-2, 2011 and agreed to four additional sets of trades with Huang during January and February 2012. Although SGAS had policies prohibiting parking and prearranged trades, SGAS failed to reasonably implement its policies to provide for meaningful follow-up to respond to the potential unlawful prearrangement or parking risks associated with these trades.

14. While the main benefit from the sets of six trades to Ge and SGAS was to accommodate MSIM, SGAS made approximately \$183,589 in bid-offer spread from these trades with MSIM.

b. March 2012 Trades with MSIM

15. The sixth set of trades, in March 2012, involved numerous positions that were traded between Huang and Ge at off-market prices. They agreed that SGAS would purchase 29 bonds at prices Huang proposed that were, in sum, approximately \$600,000 higher than the price of those positions, according to the pricing service used by both SGAS and MSIM. To compensate SGAS for purchasing a package of bonds at above-market prices, Huang also sold two bonds at prices of 70 and 80, respectively, when the pricing service used by SGAS and MSIM marked those bonds near par (100). The total discount on the positions sold at 70 and 80 approximately offset the total premium on the other 29 bonds that were sold above market prices.

16. Because Ge could see that the vendor priced the bonds at materially different prices, and because she had previously traded many of the positions with Huang at prices that were much closer to the vendor prices, she recklessly disregarded whether she was facilitating unlawful prearranged trades at off-market prices. Ge did not seek any explanation as to why Huang proposed these trades at off-market prices.

17. Ge resold all of the positions back to MSIM at a small markup over the initial sale price except for the two positions traded at below-market prices. Those two positions were repurchased at the same prices at which they were sold (70 and 80), without any markup.

c. SGAS Trades with Firm A

18. From October 2011 through June 2013, Ge also engaged in a series of 14 similar prearranged trades at pre-set prices with Firm A, another registered investment adviser, without any arm's length negotiation with respect to the repurchase. These buyback trades were similar to the MSIM trades, although the dollar amounts were considerably smaller. For these sets of trades, Ge and the trader at Firm A had an understanding that SGAS would hold the positions for a few

days and then would resell to Firm A, at a slight markup. Ge conducted a very limited review of the positions and she did not offer them to any other customers, because she understood that Firm A would repurchase them. Ge did not seek an explanation as to why Firm A proposed to sell and repurchase securities at no apparent economic benefit to Firm A, thus insulating SGAS from market risk.

19. Ge understood that when the trader at Firm A offered positions at a set price and noted something such as, “I will have buy interest” or “these are core positions” or “we like these credits,” the trader was proposing a buyback trade in which he would repurchase the bonds at a slight markup shortly thereafter.

20. The sets of trades with Firm A involved approximately 60 different positions, all of which were reoffered and repurchased at small markups. SGAS made approximately \$14,749 in bid-offer spread from this series of trades with Firm A.

d. SGAS Policies and Procedures

21. SGAS’s written policies prohibited employees from participating in or facilitating parking of securities, and prohibited prearranged trades, which the policies defined as “trades involving an offer to sell (buy) a security coupled with an offer to buy (sell) back that security at the same or better price without any bona fide trading purpose.” These policies also required accurate trade entry: “any sale or purchase of a security that includes an agreement to repurchase or resell the security . . . must be completely documented and recorded in the appropriate trade entry systems at the time of the initial transaction.”

22. SGAS failed to reasonably implement its policies with respect to parking and prearranged trades in order to prevent and detect the improper prearranged trades executed by Ge. For example, SGAS did not have any process in place to identify or review back-and-forth trades with customers within a short period of time to identify potential unlawful prearrangement or parking.

e. Buyback Trades Were Incorrectly Recorded on SGAS’s Books and Records

23. When Ge entered the relevant purchases from MSIM or Firm A into SGAS’s internal systems or instructed SGAS sales staff to enter the trades, she omitted mention of the agreement to resell the securities. Instead, the first leg was recorded as a purchase in the firm’s books and records. Ge’s understanding of these trades – that SGAS was insulated from the risks of ownership because MSIM or Firm A would repurchase the bonds at predetermined prices – was not reflected in SGAS’s books and records, which were therefore inaccurate.

24. Ge was responsible for accurate reporting on SGAS’s books and records, but she did not accurately record her understanding that MSIM and Firm A would repurchase the bonds sold to SGAS.

Violations

25. As a result of the conduct described above, SGAS willfully³ violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) thereunder, which require that each registered broker-dealer make and keep current ledgers (or other records) reflecting all assets and liabilities, income, and expense and capital accounts relating to the broker-dealer's business. As a result of the conduct described above, SGAS's ledgers did not accurately reflect the understandings reached between SGAS and its counterparties that those counterparties would repurchase the bonds sold to SGAS.

26. As a result of the conduct described above, SGAS failed reasonably to supervise Ge while she was a registered representative associated with SGAS within the meaning of Section 15(b)(4)(E) of the Exchange Act with a view to preventing and detecting her aiding and abetting violations of the federal securities laws.

27. As a result of the conduct described above, Ge willfully aided and abetted and caused Huang's violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act and Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities, respectively.

28. As a result of the conduct described above, Ge willfully aided and abetted and caused SGAS's violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) thereunder, which require that each registered broker-dealer make and keep current ledgers (or other records) reflecting all assets and liabilities, income, and expense and capital accounts relating to the broker-dealer's business.

SGAS's Remedial Efforts and Cooperation

29. In determining to accept SGAS's Offer, the Commission considered remedial acts promptly undertaken by SGAS and cooperation afforded the Commission staff.

Ge's Cooperation

30. In determining to accept Ge's Offer, the Commission considered Ge's cooperation with the Commission staff in its investigation.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest and for the protection of investors to impose the sanctions agreed to in Respondents' Offers.

³ A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

Accordingly, pursuant to Sections 15(b)(4) and 21C of the Exchange Act with respect to SGAS, and pursuant to Section 8A of the Securities Act, Sections 15(b)(6) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act with respect to Ge, it is hereby ORDERED that:

A. Respondent SGAS cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) thereunder.

B. Respondent Ge cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1) and (3) of the Securities Act, Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder, and Section 17(a) of the Exchange Act and Rule 17a-3(a)(2) thereunder.

C. Respondent SGAS is censured.

D. Respondent Ge 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

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; 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.

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

E. Any reapplication for association by Respondent Ge 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 arbitration award related to the conduct that served as the basis for the Commission order; (b) 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 (c) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

F. Respondent SGAS shall, within ten (10) calendar days of the entry of this Order, pay disgorgement, representing profits gained as a result of the conduct described herein of \$198,338 and prejudgment interest of \$12,755 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). The disgorgement amount represents the amount of essentially riskless profits that SGAS received for facilitating the buyback trades. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways: (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request; (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SGAS as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Panayiota K. Bougiamas, Assistant Regional Director, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, New York, 10281.

G. Respondent SGAS shall, within ten (10) calendar days of the entry of this Order, pay a civil money penalty in the amount of \$800,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with the Exchange Act Section 21F(g)(3). Respondent Ge shall pay a civil money penalty of \$25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with the Exchange Act Section 21F(g)(3) in two installments, with Payment 1 in the amount of \$12,500 due within ten (10) calendar days of the entry of this Order, and Payment 2 in the amount of \$12,500 due within 180 calendar days of the entry of this Order. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. If any payment by Respondent Ge is not made by the date the payment is required by this Order, the entire outstanding balance of Ge's civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways: (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request; (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying either SGAS or Ge as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Panayiota K. Bougiamas, Assistant Regional Director, Asset Management Unit, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, New York, 10281.

H. Respondent Ge acknowledges that the Commission is not imposing a civil penalty in excess of \$25,000 based upon her cooperation in a Commission investigation. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

I. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, Respondent shall not argue that Respondent is entitled to, nor shall Respondent benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that Respondent shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against one or more Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Ge, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Ge under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Ge of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary