

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4252 / November 2, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16937**

**In the Matter of**

**JAMES MICHAEL  
MURRAY,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 203(f) 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 proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against James Michael Murray (“Respondent” or “Murray”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. From at least August 2008 to February 2012, Respondent was the sole member of and investment adviser to Market Neutral Trading, LLC (“MNT”), a pooled investment vehicle that purported to invest in securities. At all relevant times, Respondent made all trading decisions on behalf of MNT and received compensation for his services. Respondent, 46 years old, is formerly a resident of Larkspur, California and is currently in federal custody.

2. On March 15, 2012, the Commission filed a civil action against Respondent entitled Securities and Exchange Commission v. James Michael Murray, Civil Action Number 3:12-CV-1288, in the United States District Court for the Northern District of California. As alleged in the Commission's Complaint and First Amended Complaint filed thereunder, Respondent provided potential and actual investors in MNT grossly inflated representations of the fund's historical performance and phony audit reports issued by a fictitious audit firm, issued false financial statements that materially misstated the financial condition and performance of the fund as well as the amount of assets the fund had, and otherwise engaged in a variety of conduct that operated as a fraud and deceit on investors.

**B. RESPONDENT'S CRIMINAL CONVICTION**

3. The United States Department of Justice, through the Office of the United States Attorney for the Northern District of California, filed an indictment against Respondent in a matter captioned United States of America v. James Murray, Case No. 12-cr-00278-EMC (N.D. Cal.). The indictment alleged that between at least 2007 and continuing into 2014:

- (a) Murray was the sole member and investment advisor of MNT;
- (b) Murray defrauded investors in MNT by soliciting them with materially false information including false audit reports about MNT's historical performance, when in fact no audits had been conducted and the reports were prepared by a fictitious entity controlled by Murray;
- (c) Murray further defrauded investors in the fund by providing them with false and misleading monthly performance data that was used in the "Fund Returns" section of MNT's marketing presentation, when in fact the performance returns did not accurately reflect MNT's actual returns for the period in question;
- (d) Murray also defrauded an investment bank that managed MNT's assets by providing the investment bank with false information about MNT's assets on an account application; and
- (e) Based on the false and misleading information identified above, Murray obtained \$2,457,964 from investors in MNT.

4. On October 13, 2015, a jury found Respondent guilty on all counts, including 16 counts of wire fraud [18 U.S.C. § 1343], 4 counts of money laundering [18 U.S.C. § 1957], 2 counts of aggravated identity theft [18 U.S.C. § 1028A] and a single count for contempt of court [18 U.S.C. § 401]. Respondent has not yet been sentenced.

5. The counts of the criminal indictment to which Respondent was convicted alleged, among other things, that Respondent defrauded investors and obtained money and property by means of materially false and misleading statements in connection with the solicitation of investors in MNT, underlying the Commission's complaint described in Paragraph 2 above.

### **III.**

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

A. Whether the allegations set forth in Section II hereof 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 203(f) 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 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 as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields  
Secretary