

ADMINISTRATIVE PROCEEDING
File No. 3-17953; 3-17954; 3-17955

Two Former Barclays RMBS Traders Settle Fraud Charges for False or Misleading Statements and Excessive Mark-ups; Barclays Settles Charges for Failing Reasonably to Supervise

May 1, 2017 – The Securities and Exchange Commission today announced that Yoon Seok Lee and David Wong, two former Barclays Capital Inc. traders of residential mortgage-backed securities (RMBS), have settled charges that they made false or misleading statements to customers and charged customers undisclosed excessive mark-ups while trading RMBS. In addition, Barclays, their employer, has settled charges that it failed reasonably to supervise them to prevent and detect the violative conduct.

The SEC staff's investigation found that Lee and Wong made false or misleading statements to Barclays RMBS customers, including false or misleading about the price at which Barclays had bought the securities; the amount of profit Barclays was making for facilitating the trades; and who owned the securities, including creating a fictional third-party to create the appearance of price negotiations. In addition, Lee and Wong charged customers undisclosed excessive mark-ups on certain transactions. Their misconduct resulted in approximately \$15.5 million in profits to Barclays. Barclays did not reasonably implement supervisory procedures to prevent and detect the false or misleading statements to customers or the undisclosed excessive mark-ups. As a result, Barclays failed reasonably to supervise Lee and Wong.

The SEC's orders find that Lee and Wong willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5. Without admitting or denying the findings of fact, Lee and Wong each has agreed to the entry of a cease-and-desist order. In addition, Lee has agreed to pay a \$200,000 penalty, and Wong has agreed to pay a \$100,000 penalty. Both have agreed to twelve-month suspensions from the securities industry.

The SEC further finds that Barclays failed reasonably to supervise Lee and Wong within the meaning of Section 15(b)(4)(E) of the Exchange Act. Without admitting or denying the findings of fact, Barclays has agreed to the entry of an order that censures the firm for failing to supervise; directs Barclays to pay disgorgement of \$2,930,829 and prejudgment interest of \$514,625 for the transactions that involved false or misleading statements, as well as disgorgement of \$6,672,673 and prejudgment interest of \$1,591,916 for the transactions that involved only excessive mark-ups; and further directs Barclays to pay a \$1,000,000 penalty. Barclays additionally has agreed to undertake to directly pay customers approximately \$15,561,711, representing all of the profits earned on the transactions that are the subject of the order, which payments would satisfy the firm's disgorgement obligations. Barclays has further agreed to undertake to implement procedures to prevent and detect the types of misconduct described in the order.

In determining appropriate relief, the SEC considered Barclays' significant cooperation with the SEC's investigation. Among other things, Barclays prepared detailed trade communication information essential to understanding the transactions and identifying false or misleading statements.

The SEC's investigation was conducted by Kelly Rock, Thomas Silverstein, and Melissa Lessenberry, with assistance from Sharon Bryant, John Worland and Sarah Concannon, and supervised by Andrew Sporkin and Michael Liftik. The SEC appreciates the assistance of the

Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the Department of Justice.

See also: Order – [Barclays Capital Inc.](#)
 Order – [Yoon Seok Lee](#)
 Order – [David F. Wong](#)