

ADMINISTRATIVE PROCEEDING
File No. 3-18046

SEC Settles with Colorado-based Broker-Dealer and its President for Failures Related to Monitoring Employee Trading and Safeguarding Research Information

June 26, 2017 – The Securities and Exchange Commission today announced that a Colorado-based brokerage firm, Wm Smith & Co. (“WSC”), has agreed to settle charges that it failed to monitor appropriately trading by its employees and to safeguard properly nonpublic information generated by its research analysts. Additionally, the firm’s President and majority owner, William S. Smith, agreed to settle charges that he aided and abetted and caused WSC’s violations.

According to the SEC’s order, from at least January 2013 through December 2015, WSC failed to enforce several of its written policies and procedures designed to prevent the misuse of material nonpublic information by WSC and its associated persons. Specifically, the SEC’s order states that WSC failed to enforce its policies and procedures (i) requiring written preapproval of all employee personal securities trades; (ii) establishing and maintaining information barriers between its research department and other employees; (iii) prohibiting personnel from disseminating material nonpublic information (“MNPI”) to the public; and (iv) prohibiting employees from trading ahead of research reports. The order also states that WSC also failed to establish policies to track and prevent trading on information related to unpublished research reports prior to the time that WSC initiated coverage on the companies at issue.

Also according to the SEC’s order, on numerous occasions, Smith did not receive written pre-approval for his trades. The order also explains that Smith violated WSC’s internal information barriers on multiple instances, and knew, or should have known, of instances in which employees violated the firm’s policies regarding the dissemination of MNPI to the public.

The SEC’s order finds that WSC willfully violated Section 15(g) of the Securities Exchange Act of 1934 and Smith willfully aided and abetted and caused WSC’s violations. Without admitting or denying the findings in the SEC’s order, WSC and Smith consented to cease-and-desist orders, censures, and civil penalties of \$50,000 and \$35,000, respectively.

The SEC’s investigation was conducted by Som P. Dalal and Mary S. Brady. The case was supervised by Kurt L. Gottschall and litigation assistance was provided by Zachary T. Carlyle and Gregory Kasper. The SEC examination that led to the investigation was conducted by Stephanie M. Fischer, Phillip Perrone, Susan L. Sipes, and Denise S. Saxon.

See also: [Order](#)