ADMINISTRATIVE PROCEEDING
File Nos. 3-18171 and 3-18172

SEC: Investment Advisers Cheated Their Clients By Cherry-Picking Trades

September 12, 2017 – The Securities and Exchange Commission today announced settled charges against two investment advisers who agreed to be banned from the securities industry and were ordered to collectively pay more than $480,000 after the agency uncovered their separate illegal cherry-picking schemes through data analysis.

According to the SEC's two orders, Jeremy A. Licht, a California registered investment adviser doing business as JL Capital Management, and Gary S. Howarth, the owner and sole employee of his Oregon-based advisory firm, Howarth Financial Services, LLC, cherry-picked profitable trades for their personal accounts to the detriment of their clients' accounts. The SEC's analysis showed that for a certain time there was less than a one-in-a-trillion chance that the outsized performance of Licht's personal account, compared to that of his clients' accounts, was due to chance, and that there was less than a one-in-a-billion chance that the difference between Howarth's returns and those of his clients was due to chance. The SEC also found that Licht falsely represented in his Forms ADV that no account would be favored over another as a result of the allocation of orders placed in the omnibus account, and that Howarth admitted in testimony to breaching his fiduciary duty to his clients when making preferential allocations of certain trades.

The SEC's orders found that Licht, Howarth and Howarth Financial Services each violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. Without admitting or denying the findings in the SEC's orders, Licht, Howarth and Howarth Financial Services agreed to the entry of cease-and-desist orders and to pay disgorgement, prejudgment interest and civil penalties totaling $278,289.34 for Licht and $203,444 for Howarth and Howarth Financial Services. Licht and Howarth also agreed to be barred from the securities industry.

The SEC's orders arise from an enforcement initiative, led by the SEC's Los Angeles Regional Office and supported by the agency's Division of Economic and Risk Analysis (DERA), to combat cherry-picking. The Licht and Howarth investigations were conducted by Colleen Keating and Robert Stillwell, respectively, and supervised by Robert Conrrad. Data analysis was performed by Scott Walster and Raymond Wolff of DERA.

See also: **Order – Licht**
Order – Howarth and Howarth Financial Services, LLC