UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 87127 / September 26, 2019

INVESTMENT ADVISERS ACT OF 1940
Release No. 5370 / September 26, 2019

INVESTMENT COMPANY ACT OF 1940
Release No. 33648 / September 26, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19529

In the Matter of **MAHESH AGARWAL,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, 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) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Section 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Mahesh Agarwal ("Agarwal" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") 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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the

Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the "Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. Mahesh Agarwal was a registered representative working on the Emerging Markets Credit Trading Latin America Desk ("EMCT Latam Desk" or the "Desk") at Citigroup Global Markets Inc. ("CGMI"), the U.S. broker-dealer subsidiary of Citigroup Inc. ("Citigroup" and, together with CGMI, "Citi"). From May 2013 through December 2014 (the "Relevant Period"), Agarwal took short positions in U.S. Treasury Bonds ("USTs") that exceeded his trading mandate, resulting in large losses. At the same time, Agarwal mismarked certain illiquid credit derivatives in a proprietary book he managed called the "Exotics Book," and booked more than 100 UST trades at off-market prices between the Exotics Book and his primary trading book, the "ETF Book."

2. CGMI discovered the mismarking and excessive UST trading in December 2014. To correct the inaccuracies in its books and records, CGMI recognized $29 million in previously unreported unrealized losses in the Exotics Book. Citigroup's consolidated books and records, which included the books and records of CGMI, were also inaccurate as a result of Agarwal's mismarking and UST trading.

3. By virtue of the conduct described herein, Agarwal aided and abetted, and caused, violations by Citigroup of Section 13(b)(2)(A) of the Exchange Act and violations by CGMI of Section 17(a)(1) of the Exchange Act and Rule 17a-3(a) thereunder. These provisions require issuers and registered broker-dealers, respectively, to make and keep accurate books and records.[2] Agarwal also directly violated Section 13(b)(5) of the Exchange Act and Rule13b2-1 thereunder, which prohibit the falsification of an issuer's books and records and the circumvention of its internal accounting controls.

Respondent

4. **Agarwal**, CRD No. 5576333, resides in New York, New York. Prior to his termination on January 29, 2015, Agarwal was associated with CGMI as a structured trader on

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] CGMI and Citigroup previously consented to the entry of an order finding that Citigroup violated Section 13(b)(2)(A) of the Exchange Act, and that CGMI violated Section 17(a) of the Exchange Act and Rule 17a-3(a) thereunder, and failed reasonably to supervise Agarwal pursuant to Section 15(b)(4)(E) of the Exchange Act. *See In the Matter of Citigroup Global Markets Inc. and Citigroup Inc.*, Exch. Act Rel. No. 83859, 2018 WL 3913654 (Aug. 16, 2018).

the EMCT Latam Desk. He holds Series 7, 24, 53, 55, and 63 licenses. Agarwal is currently employed by an unregistered financial services firm.

Other Relevant Entities

5. **CGMI** is a New York corporation headquartered in New York, New York. CGMI is an indirect, wholly-owned subsidiary of Citigroup. CGMI is dually-registered with the Commission as a broker-dealer pursuant to Section 15(b) of the Exchange Act and as an investment adviser pursuant to Section 203(a) of the Advisers Act.

6. **Citigroup** is a financial services holding company incorporated in Delaware and headquartered in New York, New York. Citigroup's common stock is registered under Section 12(b) of the Exchange Act and trades on the New York Stock Exchange (under the ticker symbol C). Citigroup's stock also trades on the Mexico Stock Exchange (under the ticker symbol C*).

Background

7. Agarwal began his career at CGMI as an analyst in March 2009, and he joined the EMCT Latam Desk in September 2010. He was promoted to Associate in 2011 and to Vice President in May 2014. Agarwal reported to and was supervised by the head trader on the Desk and, ultimately, the Desk head. Agarwal's compensation included a discretionary bonus that, while not mathematically tied to his profit-and-loss ("P&L"), was loosely based on his overall performance.

8. Agarwal's primary responsibility during the Relevant Period was trading a book of exchange-traded funds, or ETFs, referencing baskets of emerging market bonds. He would buy and sell shares of the ETFs, and hedge his exposure by taking positions in the underlying bonds and certain other products, including USTs. Agarwal was instrumental in building this ETF business, which reported more than $25 million in revenue over 2013 and 2014.

9. Agarwal was also responsible for managing the Exotics Book, which he inherited from another trader when he joined the Desk. The Exotics Book was comprised of long-dated, illiquid credit-linked notes ("CLNs") and other structured credit products in which the Desk had taken positions opposite clients as part of its market-making business. Most of those trades pre-dated Agarwal's employment at CGMI.

10. A CLN is a structured credit product whose value is tied to the creditworthiness of a reference entity. Under the typical CLN structure, the CLN issuer (here, a Citigroup-owned special purpose entity) is "short" the reference entity's credit, and thus benefits from increased default risk as reflected in wider credit spreads – the amounts paid in excess of the risk-free interest rate to compensate investors for the entity's credit risk – on the reference entity's outstanding credit obligations.

11. One of the largest positions in the Exotics Book was a CLN structure tied to the credit of both Venezuela and Nomura Holdings, Inc. ("Nomura"); this structure was referred to as "VeneNomura." Other significant positions in the Exotics Book included CLNs and related hedges referencing Vale S.A. ("Vale"), Corporacion Nacional del Cobre de Chile ("Codelco"), and Empresa Nacional de Electricidad S.A. ("Endesa") (collectively referred to as the "Repack

Trades"), and another referencing Embrear S.A. ("Embrear"). (Hereinafter, VeneNomura, Embraer, and the Repack Trades will be referred to collectively as the "Exotic CLNs.").

12. Agarwal was responsible for managing the risk of the CLNs and minimizing P&L volatility through hedging. A key risk exposure was credit risk, which Agarwal hedged by taking offsetting positions in the reference entities' underlying bonds and credit default swaps ("CDSs"); it was these credit instruments that served as reference obligations for the CLNs. In addition to credit risk, the CLN structures were also subject to interest rate risk, which was hedged primarily with USTs and, in some cases, foreign exchange or "FX" risk, which was typically hedged with FX swaps.

13. CGMI's policies required Agarwal to mark all his positions to fair value on a daily basis.[3] This process was straightforward with respect to the ETF Book, as prices were observable in the market. But the Exotics Book was more complicated to mark as the CLNs were bespoke structures without an active trading market or readily observable prices. To mark the Exotic CLNs to market, Agarwal used a pre-existing model employing credit curves derived from the spreads on the reference entity's outstanding bonds and/or CDSs.

14. As a market-making desk, the EMCT Latam Desk's role was to make a market in Latin American credit instruments. The Desk was permitted to trade certain other products, including USTs, only to the extent necessary to hedge the risks associated with its market-making activities.

15. Each trader was required to certify annually compliance with the Desk's trading mandate and other relevant policies upon completing a training module. During the relevant period, Agarwal completed the training module in December 2013 and again in August 2014. Each time, Agarwal attested that he "read, understood and will comply" with the policies discussed in the module, which included compliance with the Desk's trading mandate and applicable risk limits, accurate marking of his positions, and accurate trade reporting.

Agarwal's UST Trading

Excessive Short-Selling of USTs and Resulting Losses

16. The trading mandate for the EMCT Latam Desk stated in relevant part:

> The Desk is a market-making desk whose principal mandate is to trade Emerging Market Credit Instruments driven by client demand, including a)cash products (e.g. bonds, notes, loans, etc) as well as b)derivative products (e.g. credit default swaps, total return swaps, credit linked notes, etc)…
>
> The Desk is a market maker in Credit Spread and Jump to Default risk arising from cash and derivative credit products. These market

[3] The relevant accounting guidance defines "Fair Value" as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." FASB Accounting Standards Codification 820 ("ASC 820").

> making credit products also give rise to interest rate risk and FX risk. These risks can be hedged using Interest Rate derivatives and US Treasuries and Futures, FX Spot and FX derivatives.

17. Notwithstanding the Desk's trading mandate, throughout 2013 and 2014 Agarwal accumulated large short UST positions in the Exotics Book in excess of what was needed to hedge the overall interest rate risk in the book. These short UST positions would generate profits if interest rates rose.

18. Interest rates did not rise, however, and in early 2014 the Exotics Book began to suffer losses on the short UST positions. By the end of November 2014 (the last full month before Agarwal was placed on administrative leave), the Exotics Book had lost a total of $23.9 million on UST trades since the start of the year. This included $8.1 million in realized trading losses – much of which resulted from off-market trading with the ETF Book, and was thus offset by gains in that book, as discussed below – and an additional $15.8 million in unrealized mark-to-market losses, accrued interest and financing charges on the short UST positions.

19. In August 2014, Agarwal's short UST positions had grown so large that the CGMI business unit that encompassed the EMCT Latam Desk breached its limit on interest rate risk set by Citi's Market Risk Management group ("Risk Management"). While investigating the limit breach, Risk Management identified Agarwal as the trader principally responsible for causing the breach. Risk Management discovered that Agarwal's UST exposure was more than double the size necessary to hedge his overall interest rate risk, and that he had lost a total of approximately $16 million year-to-date on his UST trades.

20. When Risk Management questioned Agarwal about the limit breach in August 2014, he responded that the UST positions were hedges. Risk Management advised Agarwal that he was over hedged and instructed him to reduce his UST exposure going forward, which he agreed to do. He did so temporarily, but ultimately added to his short UST position. By the end of November 2014, Agarwal's total annual UST trading losses amounted to $23.9 million.

Off-Market Interbook Trading

21. In addition to his excessive short-selling of USTs, Agarwal also executed numerous UST trades at off-market prices between his two books.

22. Specifically, between May 2013 and December 2014, Agarwal booked nearly 200 individual UST trades between the Exotics Book and the ETF Book, 109 of which were outside the daily reported price range for that bond. In every instance, the price variance favored the ETF Book – on 56 occasions the ETF Book purchased from the Exotics Book at a price below the daily low, and on 53 occasions the Exotics Book purchased from the ETF Book at a price above the daily high.

23. In total, the off-market trading resulted in a transfer of value from the Exotics Book to the ETF Book of between $2.5 million and $3.7 million in 2013 (or up to approximately 30% of the ETF Book's total revenue of $12 million), and between $2.7 million and $6.5 million in 2014 (or up to 50% of the ETF Book's total revenue of $13 million). These estimates were calculated based on the difference between the execution price and the market high and low

prices on the trade date as reported by Bloomberg L.P. Much of the ETF Book's reported profitability (up to 30% in 2013 and up to 50% in 2014), therefore, resulted not from the success of the ETF business itself, but from off-market UST trading with the Exotics Book. While those trades shifted value from the Exotics Book to the ETF Book, they had a net zero impact on Agarwal's overall P&L.

Agarwal Incorrectly Marks the Exotic CLNs and Related Hedges

24. Agarwal suffered significant losses in the Exotics Book throughout 2014 as a result of his short UST positions. Those losses were compounded when, beginning in the third quarter of 2014, global credit markets became extremely volatile, spurred on by growing concerns over potential defaults by Venezuela and other emerging market countries. At the same time, Agarwal incorrectly marked certain positions in the Exotics Book, including the Exotic CLNs and related hedges, overstating their value in Citi's books and records.

VeneNomura

25. The VeneNomura trade consisted of two legs, a $260 million Citi receivable maturing in June 2024 and a $310 million Citi liability maturing in June 2030, with a private client as the counterparty on both legs. Citi's 2024 receivable was contingent upon neither Venezuela nor Nomura defaulting on any outstanding credit obligations before June 2024, and Citi's 2030 liability was further contingent upon Venezuela not defaulting prior to June 2030. There were no other cash flows, and each leg was "zero recovery," meaning it would terminate for zero value upon the occurrence of the triggering credit event.

The Approved Marking Methodology

26. VeneNomura was structured in 2010 by a former trader on the Desk. Due to the unique nature of the trade, Desk personnel had worked with Citi's Financial Control group ("FinCon") and Risk Management to devise an appropriate methodology for valuing the transaction at inception and throughout the life of the position. The agreed-upon marking methodology was formally documented in a June 2010 memorandum (the "VeneNomura Marking Memo"), a copy of which was provided to Agarwal when he assumed responsibility for the Exotics Book – the marking process was also explained to Agarwal by his predecessor, the same trader who had structured the VeneNomura trade.

27. The VeneNomura Marking Memo called for the 2024 receivable leg to be marked using a credit curve derived by adding together the Venezuela and Nomura CDS curves, which represented the market's estimation of each entity's risk of default over time – the primary driver of the trade's valuation. This was fairly straightforward, as both the Venezuela and Nomura CDS curves were marked daily by a CDS trader on the Desk.

28. The 2030 leg was more complex to mark, however. Venezuela CDSs with maturities longer than ten years did not trade in the market, thus the long end of the credit curve was not directly observable to traders on the Desk and there was no way for the Desk to effectively hedge Venezuela's credit risk beyond ten years.

29. The Desk, FinCon and Risk Management devised a marking model which assumed that Venezuela's default rate, or the likelihood of default at each point along the curve, would remain constant after June 2024 (referred to as a "flat forward curve"). This assumption would prevent the Desk from recognizing mark-to-market gains based on the speculative possibility of a long-term Venezuela default that could not be hedged or monetized up front. The VeneNomura Marking Memo noted that employing a methodology that did not assume a constant default rate after June 2024 would "underestimate[] the liability of the 2030 Note issued [by Citi]."

Agarwal's Marks Deviate from the Approved Methodology

30. While the VeneNomura Marking Memo required Agarwal to maintain a flat forward curve, in practice Agarwal could and did manually override the forward default rate. In effect, Agarwal reduced the present value of Citi's 2030 liability almost to zero simply by inputting larger forward default rates, increasing the spreads on the long end of the curve and implying a greater likelihood of default after Citi received the 2024 payout.

31. Agarwal first began to manually override the forward default rate in about January 2013, so as to recognize some gains on the 2030 liability leg. At first the deviation was relatively minor. But over the next year and a half, Agarwal's forward default rate increased so much that by July 2014 his VeneNomura curve became inverted, with spreads markedly rising after the June 2024 point.

32. Instead of maintaining the agreed-upon assumption of a constant default rate after June 2024, Agarwal's marks now assumed that the likelihood of a first-time default would increase significantly after June 2024. This assumption was inconsistent not only with the VeneNomura Marking Memo, but also with market expectations as reflected in the Venezuela CDS curve, which was downward-sloping (meaning that credit spreads on the long end were declining). By altering the shape of the curve to turn upward after June 2024, Agarwal reduced the present value of the 2030 liability without a corresponding reduction to the 2024 receivable, essentially predicting a windfall profit for Citi.

33. Agarwal continued to increase the forward default rate during the second half of 2014, and by November he was using a forward default rate that was more than five times greater than the default rate implied by the ten-year point on the Venezuela CDS curve.

34. During this same period, political and economic turmoil in Venezuela sent the country's near-term credit spreads soaring to record levels. This should have caused the overall value of VeneNomura to fall towards zero (as a near-term default would have both legs terminating for zero value). Nonetheless, Agarwal kept his overall valuation relatively flat during this period by increasing the forward default rate to offset any changes to the value of the 2024 receivable.

35. By early December 2014, while still valuing the $260 million 2024 receivable at more than $20 million, Agarwal had reduced the present value of the $310 million liability due in 2030 almost to zero, overstating the net value of VeneNomura by more than $11 million.

Agarwal's Responses when Questioned by Control Personnel.

36. Agarwal sent e-mails to FinCon every day confirming the accuracy of his reported P&L. On numerous occasions, FinCon inquired about unusual moves in the VeneNomura valuation as part of this daily P&L reporting process. Each time, Agarwal responded that his P&L was accurately reported.

37. In September 2014, a director in CGMI's Markets Quantitative Analysis group ("MQA") questioned Agarwal by e-mail about his VeneNomura curve. The MQA director pointed out that Agarwal was not maintaining a flat forward curve and that his forward default rate had in fact been increasing since early 2013, causing his credit curve to become inverted on the long end. When Agarwal failed to respond after several e-mails, the MQA director approached him in person. Agarwal conveyed to the MQA director that his deviation from the prescribed marking methodology had been approved by Agarwal's supervisor and by FinCon. In fact, neither Agarwal's supervisor nor FinCon ever overrode the prescribed marking methodology as set forth in the VeneNomura Marking Memo.

Embraer and the Repack Trades

38. In mid to late 2014, as Agarwal's valuation of the VeneNomura 2030 liability approached zero (preventing him from recognizing further gains by increasing the forward default rate), he began mismarking the Embraer and Repack CLNs and related hedges as well.

39. The prescribed marking methodology for these CLN structures was documented in a series of e-mails from the desk supervisor to FinCon in May 2012, copying, among others, Agarwal. The methodology required Agarwal to use the spreads on the reference entities' bonds (many of which were held as hedges and marked daily by the Desk) to construct a credit curve for each entity, which was then used as the key input to mark the CLNs.

40. By mid-2014, however, Agarwal was no longer following the prescribed marking methodology for these positions. Instead of marking the CLNs and related hedges "to market" as required, Agarwal would input credit spreads that would result in his daily P&L remaining within a threshold of +/- $100,000. The credit curves Agarwal was using to mark the CLNs bore little relation to the spreads on the reference entities' bonds, even though many of those bonds were marked daily by traders on the Desk, in some cases by Agarwal himself.

41. As the losses in the Exotics Book continued to mount, Agarwal used wider and wider credit spreads to mark the Embraer and Repack CLNs, driving up their valuations. By December 2014, Agarwal was marking these CLNs using credit spreads that were in some cases double or even triple the spreads on the reference entities' bonds, and as a result the Embraer and Repack CLNs were mismarked on Agarwal's books by a combined total of $18 million.

42. Neither Agarwal's supervisor nor FinCon ever approved any deviation from the prescribed marking methodology for the Embraer and Repack CLNs as reflected in the desk supervisor's May 2012 emails with FinCon.

43. In October 2014, as part of a routine inquiry, FinCon asked Agarwal to explain his process for marking the Repack CLNs. Agarwal provided a response that did not reflect either the approved methodology, or the way he was actually marking the CLNs.

A Junior Trader Discovers the Mismarking While Agarwal is on Mandatory Leave

44. Pursuant to CGMI policy, traders were required to take two consecutive weeks of leave each year, during which the trader was prohibited from accessing CGMI's systems or communicating substantively with other CGMI personnel. CGMI's mandatory leave policy was designed to serve as a "backstop" control against trader misconduct.

45. When Agarwal took his mandatory leave in December 2014, he provided incorrect marking instructions to the junior trader assigned to cover the Exotics Book in his absence. Agarwal instructed the junior trader that the CLNs, bonds and USTs in the Exotics Book should result in a flat daily P&L. He further explained that, when closing the book each day, the trader should input the expected UST and hedge P&L into a spreadsheet, and adjust the marks on the VeneNomura, Embraer and Repack structures to make the net P&L flat. Finally, Agarwal told the junior trader that this methodology of marking the book to achieve a flat P&L had been approved by FinCon.

46. After Agarwal left for his mandatory leave in December 2014, the junior trader attempted to carry out Agarwal's instructions. However, she found that certain positions would need to be marked significantly above observable market levels in order to keep the P&L flat.[4]

47. The junior trader sent Agarwal a text asking him for clarification. Agarwal responded that the junior trader should call him, but "not from [her] office phone."

48. After speaking to Agarwal on her cell phone, and after unsuccessfully attempting to reconcile Agarwal's valuations with the help of the MQA director, the junior trader escalated the issue to Agarwal's supervisor. The supervisor, along with MQA, FinCon, and Risk Management, undertook a review of all of Agarwal's positions and ultimately concluded that a re-mark was necessary.

49. Citi calculated that the Exotic CLNs and certain related hedges were overvalued by a total of $29 million and re-marked the positions accordingly, reducing the reported net asset value of the Exotics Book from -$31.5 million to -$60.5 million. The re-mark also decreased the Exotics Book's 2014 year-to-date P&L from $6.4 million to -$22.5 million.

50. Before the re-mark, Agarwal appeared on track to meet or exceed his 2014 P&L target of $20.5 million for both books combined, notwithstanding his large UST losses. In reality, however, his actual combined P&L for the year after the re-mark was -$9.7 million.

[4] Agarwal had given the junior trader similar instructions the prior year when he took his mandatory leave in December 2013. However, the credit markets were less volatile in December 2013, and the junior trader did not discover irregularities in Agarwal's valuations at that time.

51. Citi further concluded that, as a result of the mismarking, the Exotics Book's quarterly income had been overstated by $2.9 million in Q3 2013, $1.2 million in Q4 2013, $2.4 million in Q1 2014, $2.1 million in Q2 2014, $3.0 million in Q3 2014, and $17.5 million in Q4 2014 (through December 19, the effective date of the re-mark).

52. The Exotic CLNs were not held by CGMI. Rather, they were held by CGMI's direct parent, Citigroup Financial Products Inc. ("CFPI"). All of Agarwal's UST positions and trades – including the off-market interbook trades that inflated the income of the ETF Book at the expense of the Exotics Book – were held by CGMI. The books, records and financial results of both CGMI and CFPI were consolidated with those of the ultimate parent, Citigroup. Agarwal's inflated valuations and income were reflected in Citigroup's financial statements filed with its quarterly and annual reports from Q3 2013 through Q3 2014, but the impact on Citigroup's reported financial results was not material in any period.

53. CGMI placed Agarwal on administrative leave on December 22, 2014, and terminated him on January 29, 2015. CGMI withheld Agarwal's bonus for 2014, along with certain unvested amounts from prior years.

D. <u>Violations</u>

54. As a result of the conduct described above, Agarwal willfully violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder, which prohibit any person from knowingly circumventing an issuer's internal accounting controls or falsifying its books and records.

55. As a result of the conduct described above, Agarwal willfully aided and abetted, and caused, violations by CGMI of Section 17(a)(1) of the Exchange Act and Rule 17a-3(a) thereunder, which require broker-dealers to make and keep accurate books and records.

56. As a result of the conduct described above, Agarwal willfully aided and abetted, and caused, a violation by Citigroup of Section 13(b)(2)(A) of the Exchange Act, which requires public companies to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Agarwal cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(5), and 17(a)(1) of the Exchange Act and Rules 13b2-1 and 17a-3(a) thereunder.

B. Respondent Agarwal be, and hereby is (i) suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for a period of twelve months; (ii) 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 for a period of twelve months; and (iii) suspended 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 the purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock, for a period of twelve months.

C. Respondent Agarwal shall pay a civil money penalty in the amount of $80,000 to the Commission for transfer to the United States Treasury, subject to Section 21F(g)(3) of the Exchange Act. Payment shall be made in the following installments: $20,000 within ten (10) days of the entry of the Order, $20,000 within one hundred twenty (120) days of the entry of the Order, $20,000 within two hundred forty (240) days of the entry of the Order, and the remaining $20,000 within three hundred sixty five (365) days of the entry of the Order. Payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

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 Agarwal as 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 Sanjay Wadhwa, Senior Associate Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY, 10281.

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, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he 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, Respondent agrees that he 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 Respondent 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 Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent 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 Respondent 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.

Vanessa A. Countryman
Secretary