Testimony on "Oversight of the SEC's Division of Enforcement"
by
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Before the
United States House of Representatives
Committee on Financial Services
Subcommittee on Capital Markets, Securities, and Investment

May 16, 2018

Chairman Huizenga, Ranking Member Maloney, and Members of the Subcommittee:

Thank you for inviting us to testify today on behalf of the Division of Enforcement ("Enforcement" or the "Division") of the U.S. Securities and Exchange Commission ("SEC" or the "Commission").

The Division of Enforcement plays an essential role in carrying out the SEC's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The Division primarily supports the SEC's mission by investigating and bringing actions against those who violate the federal securities laws. By vigorously enforcing these laws, the Division furthers the Commission's efforts to deter, detect, and punish wrongdoing in the financial markets, compensate harmed investors, and—critically—maintain investor confidence in the integrity and fairness of our markets.

Since our appointment as Co-Directors in June 2017, the Division has remained focused on its core mission and will continue its efforts to protect investors and markets through strong and effective enforcement. Chairman Clayton charged us to root out fraud, market manipulation, and other violations of the federal securities laws with conviction and energy. The Division has taken that charge to heart, and our successes are due to the professionalism and expertise of the staff, not only in Washington but also in our eleven regional offices. The staff in our home and regional offices—under the leadership of former prosecutors and other dedicated public servants—works each day to protect our capital markets and to punish wrongdoers.

Each year, the Commission brings hundreds of civil enforcement actions against individuals and entities for fraud and other misconduct and obtains important, meaningful remedies—including disgorgement of ill-gotten gains and monetary penalties, which are frequently returned to harmed investors—as well as industry bars, injunctions, and orders prohibiting unlawful conduct. Last year, the Division remained focused on our core mission of protecting investors and markets through the robust enforcement of the federal securities laws. To that end, the Division investigated and recommended a diverse mix of cases targeting fraud and other wrongdoing. In Fiscal Year ("FY") 2017, the Commission brought 754 enforcement actions and obtained $3.8 billion in penalties and disgorgement, while returning a record $1.07

billion to harmed investors, and awarding nearly $50 million in payments to whistleblowers.[1] The Commission's enforcement actions covered a broad range of subject areas, including investment management, securities offerings, issuer reporting and accounting, market manipulation, insider trading, broker-dealer activities, cyber-related conduct, and the Foreign Corrupt Practices Act ("FCPA"), among many others.

While the Division's responsibilities necessarily require that we police a broad landscape and have numerous areas of focus, at a high level, our decision making is guided by five core principles: (1) focus on the interests of Main Street investors; (2) focus on individual accountability; (3) keep pace with technological change; (4) impose sanctions that most effectively further enforcement goals; and (5) constantly assess the allocation of our resources. We appreciate the opportunity to provide you with an overview of our enforcement efforts and to share the principles, priorities, and initiatives that will guide Enforcement's work going forward.

ENFORCEMENT PRIORITIES

Protecting the Interests of Main Street Investors

Protecting retail investors has always been at the heart of the Enforcement Division's mission and is a first principle for us. Retail investors depend on fair, orderly, and efficient markets to build savings to buy homes, pay for college, or plan for retirement, among other things. They are not only often the most prevalent participants in our markets, but, in many cases, also the most vulnerable and least able to weather financial loss.

The Division continued its commitment to protecting the interests of retail investors in FY 2017, both by building on successes of the past and through new initiatives, including the formation of a new Retail Strategy Task Force.[2] The Task Force combines the Division's significant experience with the knowledge and expertise of other key Commission divisions and offices, such as the Office of Compliance Inspections and Examinations ("OCIE"), the Division of Economic and Risk Analysis ("DERA"), and the Office of Investor Education and Advocacy.[3] Its mission is straightforward: to develop effective strategies and techniques to identify, punish, and deter misconduct that most affects everyday investors.[4] The Division will continue to focus its enforcement efforts on the kinds of misconduct that traditionally have affected retail

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1 U.S. Sec. & Exch. Comm'n, Div. of Enforcement, *Annual Report: A Look Back at Fiscal Year 2017* at 6-11 (Nov. 15, 2017), available at https://www.sec.gov/files/enforcement-annual-report-2017.pdf ("Enforcement Div. 2017 Annual Report"); U.S. Sec. & Exch. Comm'n, *Whistleblower Program 2017 Annual Report to Congres*s at 1 (Nov. 15, 2017), available at https://www.sec.gov/files/sec-2017-annual-report-whistleblower-program.pdf.

2 Press Release 2017-176, *SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors* (Sept. 25, 2017), available at https://www.sec.gov/news/press-release/2017-176 ("Cyber Unit/Retail Strategy Task Force Press Release").

3 Stephanie Avakian, Co-Dir., Div. of Enforcement, U.S. Sec. & Exch. Comm'n, *The SEC Enforcement Division's Initiatives Regarding Retail Investor Protection and Cybersecurity* (Oct. 26, 2017), available at https://www.sec.gov/news/speech/speech-avakian-2017-10-26.

4 *Id.*

investors, such as accounting fraud, charging inappropriate or excessive fees, "pump-and-dump" frauds, and Ponzi schemes, to name just a few.[5] For example, we recently announced an initiative to encourage self-reporting and remediation by investment advisers who have received compensation for recommending or selecting more-expensive mutual fund share classes for their clients when identical and less-expensive share classes were available, without disclosing this conflict of interest.[6] This initiative reflects our commitment to leverage our resources to identify and expose widespread undisclosed practices that have the potential to harm investors. In short, vigorous enforcement efforts across our markets that are aimed at protecting Main Street investors have been—and will remain—a priority for the Enforcement Division.

And, to emphasize a key point, even as we enhance our focus on protecting retail investors, we will continue to actively pursue cases against large corporations, financial institutions, and other market participants who violate our federal securities laws. We do not face a binary choice between protecting Main Street and policing Wall Street. The Commission has recently brought a number of cases against Wall Street firms and large corporations for a wide variety of misconduct, and we expect that the Commission will continue to be vigilant in our oversight of these and other key market participants.

Holding Individuals Accountable

Another core pillar of a strong and effective enforcement program is individual accountability. To have a strong deterrent effect on market participants, it is critical to hold individuals responsible in appropriate cases and to pursue wrongdoing at the highest corporate levels supported by the evidence.

Individual accountability has long been a priority of the Enforcement program, and recent efforts show that our commitment to this key concept has not flagged. Since May 2017, a significant number of the Commission's enforcement actions have also involved charges against one or more individuals. These actions have involved charges against the senior-most executives of large companies and firms, including CEOs, CFOs, presidents, and senior partners.[7] The Commission also has charged individuals in several cyber-related matters.[8]

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5 *Id*.

6 Press Release 2018-15, *SEC Launches Share Class Selection Disclosure Initiative to Encourage Self-Reporting and the Prompt Return of Funds to Investors* (Feb. 12, 2018), available at https://www.sec.gov/news/press-release/2018-15.

7 *See, e.g.*, Press Release 2018-6, *Six Accountants Charged with Using Leaked Confidential PCAOB Data in Quest to Improve Inspection Results for KPMG* (Jan. 22, 2018), available at https://www.sec.gov/news/press-release/2018-6; Press Release 2018-41, *Theranos, CEO Holmes, and Former President Balwani Charged with Massive Fraud; Holmes Stripped of Control of Company for Defrauding Investors* (Mar. 14, 2018), available at https://www.sec.gov/news/press-release/2018-41; Press Release 2017-196, *Rio Tinto, Former Top Executives Charged with Fraud* (Oct. 17, 2017), available at https://www.sec.gov/news/press-release/2017-196.

8 *See, e.g.*, Press Release 2018-70, *SEC Charges Additional Defendants in Fraudulent ICO Scheme* (Apr. 20, 2018), available at https://www.sec.gov/news/press-release/2018-70 ("Centra Am. Compl. Release); Press Release 2018-61, *SEC Obtains Emergency Freeze of $27 Million in Stock Sales of Purported Cryptocurrency Company Longfin* (Apr. 6, 2018), available at https://www.sec.gov/news/press-release/2018-61 ("Longfin Release"); Press Release 2018-52, *SEC Charges Fintech Company Founder With Scheme to Defraud Investors*

To be sure, our focus on individual accountability consumes more of our limited resources; with much to lose, individuals may be more likely to litigate with the Commission. But that price is worth paying. We will continue to hold individuals accountable where warranted by the facts and the law.

Keeping Pace with Technological Change: Combatting Emerging Cyber-Related Threats

One important area where we are focusing the Division's enforcement efforts and resources is combatting emerging cyber-related threats to investors and the financial markets. These threats are among the greatest risks facing investors and our securities markets today, and the Division has been working to further develop its already substantial expertise and proficiency in the tools and investigative techniques needed to address these issues. We remain committed to ensuring that the Division continues to keep pace with the technological changes that continually transform our markets.

We formalized our work in this area in FY 2017 by forming a Cyber Unit.[9] The creation of the Cyber Unit, which is the first new unit that the Division has created since specialized units were first formed in 2010, demonstrates the priority that we place on combatting cyber-related threats to investors and our markets.[10] The Cyber Unit focuses its efforts on the following key areas:

- Market manipulation schemes involving false information spread through electronic and social media;
- Hacking to obtain material, nonpublic information and trading on that information;
- Violations involving distributed ledger technology and initial coin offerings ("ICOs");
- Misconduct perpetrated using the dark web;
- Intrusions into online retail brokerage accounts; and
- Cyber-related threats to trading platforms and other critical market infrastructure.[11]

Enforcement has been focused on many of these issues for some time, and the Cyber Unit centralizes, leverages, and builds upon the considerable expertise that the Commission has developed in this rapidly developing area.

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and Misappropriate Funds (Apr. 2, 2018), available at https://www.sec.gov/news/press-release/2018-52; Press Release 2018-53, *SEC Halts Fraudulent Scheme Involving Unregistered ICO* (Apr. 2, 2018), available at https://www.sec.gov/news/press-release/2018-53 ("Centra Release").

9 Cyber Unit/Retail Strategy Task Force Press Release, *supra* note 2.

10 *Id.*

11 *Id.*

Cyber-related matters are an area where we have sought to utilize the full range of tools and remedies available to the Commission. Our work in this field reflects a careful balancing of the need to protect investors from risks inherent in new technologies against the need to allow innovation to take place. For instance, the Commission has provided clarity for market participants in new or developing areas, starting with a Section 21(a) report (the "Report") regarding ICOs issued last July.[12] The Report concerns the application of the federal securities laws to the offer and sale of virtual tokens that were created and distributed on a blockchain by an entity called "The DAO." In the Report, the Commission applied longstanding securities law principles to conclude that this virtual token constituted an investment contract and therefore was a security, and to reiterate the fundamental principal that the federal securities laws apply—including to those relating to offers, sales, and trading—regardless of whether the security is certificated or issued on a blockchain.

The Division has continued to take other actions to address ICOs and cryptocurrencies following publication of the Report. For example, in November 2017, the Division, along with OCIE, issued a joint statement regarding the potentially unlawful promotion of ICOs by celebrities and others.[13] In January 2018, we issued a joint statement with the Director of the Commodity Futures Trading Commission's ("CFTC") Division of Enforcement regarding virtual currency actions.[14] We advised market participants that when they engage in fraud under the guise of offering digital instruments—whether characterized as virtual currencies, coins, tokens, or the like—the SEC and the CFTC will look beyond form, examine the substance of the activity, and prosecute violations of the federal securities and commodities laws.[15] In March, the Division of Enforcement and the Division of Trading and Markets issued a joint statement alerting investors that if they use online trading platforms for trading digital assets they may not have the protections provided by the federal securities laws and SEC oversight.[16] And, we continue to encourage parties to contact Commission staff who specialize in these issues for assistance.

And, since the issuance of the Report, the Commission has brought a number of enforcement actions for alleged ICO-related violations of the registration requirements of the

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[12] *Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO* (July 25, 2017), available at https://www.sec.gov/litigation/investreport/34-81207.pdf.

[13] Div. of Enforcement & Off. of Compliance Inspections and Examinations, U.S. Sec. & Exch. Comm., *Statement on Potentially Unlawful Promotion of Initial Coin Offerings and Other Investments by Celebrities and Others* (Nov. 1, 2017), available at https://www.sec.gov/news/public-statement/statement-potentially-unlawful-promotion-icos.

[14] Stephanie Avakian & Steven Peikin, Co-Dirs., Div. of Enforcement, U.S. Sec. & Exch. Comm'n & James McDonald, Div. of Enforcement, Commodity Futures Trading Comm'n, *Joint Statement by SEC and CFTC Enforcement Directors Regarding Virtual Currency Enforcement Actions* (Jan. 19, 2018), available at https://www.sec.gov/news/public-statement/joint-statement-sec-and-cftc-enforcement-directors.

[15] *Id*.

[16] Div. of Enforcement & Div. of Trading and Markets, U.S. Sec. & Exch. Comm., *Statement on Potentially Unlawful Online Platforms for Trading Digital Assets* (Mar. 7, 2017), available at https://www.sec.gov/news/public-statement/enforcement-tm-statement-potentially-unlawful-online-platforms-trading.

federal securities laws. In one case, after being contacted by the Division, a company halted its ICO to raise capital for a blockchain-based food review service, and then settled proceedings in which we determined that the company's ICO was an unregistered offering and sale of securities in violation of the federal securities laws.[17] As a result of the SEC's intervention, the company refunded investor proceeds before any tokens were distributed.[18]

Finally, in cases where the technology is merely a veneer for an alleged fraud, we have recommended enforcement actions. To take one example, the Commission recently charged the co-founders of a purported financial services start-up with orchestrating a fraudulent ICO that raised more than $32 million from thousands of investors.[19] In another recent case, the Commission obtained a court order freezing more than $27 million in trading proceeds from allegedly illegal distributions and insider sales of restricted shares of a NASDAQ-listed company purporting to be in the cryptocurrency business.[20] Since the beginning of 2017, the Commission has also sought to protect investors by utilizing its authority to suspend trading in the stock of 13 publicly traded issuers because of questions concerning, among other things, the accuracy of assertions regarding their investments in ICOs and operation of cryptocurrency platforms.[21] As these cases show, the Division will not hesitate to take appropriate action where technology is used to defraud investors.

Beyond ICOs and cryptocurrencies, the Commission has prioritized the adequacy of companies' cyber-related disclosures. In February, the Commission issued a Statement and Guidance on Public Company Cybersecurity Disclosures to assist public companies in preparing their disclosures about cybersecurity. This guidance provides the Commission's views about the public companies' obligations under our laws and regulations with respect to matters involving

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[17] Press Release 2017-227, *Company Halts ICO After SEC Raises Registration Concerns* (Dec. 11, 2017), available at https://www.sec.gov/news/press-release/2017-227.

[18] *Id.*

[19] Centra Am. Compl. Release, *supra* note 8; Centra Release, *supra* note 8.

[20] Longfin Release, *supra* note 8.

[21] *IBITX Software Inc.*, Exchange Act Release No. 83084 (Apr. 20, 2018), available at https://www.sec.gov/litigation/suspensions/2018/34-83084.pdf; *HD View 360 Inc.*, Exchange Act Release No. 82800 (Mar. 1, 2018), available at https://www.sec.gov/litigation/suspensions/2018/34-82800.pdf; Press Release 2018-20, *SEC Suspends Trading in Three Issuers Claiming Involvement in Cryptocurrency and Blockchain Technology* (Feb. 16, 2018), available at https://www.sec.gov/news/press-release/2018-20; *UBI Blockchain Internet, Ltd.*, Exchange Act Release No. 82452 (Jan. 5, 2018), available at https://www.sec.gov/litigation/suspensions/2018/34-82452.pdf; *The Crypto Co.*, Exchange Act Release No. 82347 (Dec. 18, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-82347.pdf; *Rocky Mountain Ayres, Inc.*, Exchange Act Release No. 81639 (Sept. 15, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-81639.pdf; *American Security Resources Corp.*, Exchange Act Release No. 81481 (Aug. 24, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-81481.pdf; *First Bitcoin Capital Corp.*, Exchange Act Release No. 81474 (Aug. 23, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-81474.pdf; *CIAO Group, Inc.*, Exchange Act Release No, 81367 (Aug. 9, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-81367.pdf; *Strategic Global Investments, Inc.*, Exchange Act Release No. 81314 (Aug. 3, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-81314.pdf; *Sunshine Capital, Inc.*, Exchange Act Release No. 80435 (Apr. 11, 2017), available at https://www.sec.gov/litigation/suspensions/2017/34-80435.pdf.

cybersecurity risk and incidents and describes the importance of comprehensive policies and procedures related to cybersecurity events, including appropriate disclosure controls, and the need to have policies and procedures in place to guard against corporate insiders trading on the basis of material nonpublic information about cybersecurity risk and incidents.[22] The Commission also recently announced settled charges against a major technology company for misleading investors by failing to disclose what was, at the time, the world's largest known data breach.[23] The case is the first that the Commission has brought against a company for failing to adequately disclose a cyber incident. We are aware of the challenges companies face when it comes to disclosing cyber attacks, and we will not seek to second-guess good-faith disclosure decisions. But, as this recent case reflects, there will be circumstances in which a company's procedures, controls, and response to a cyber incident warrant an enforcement action.

Imposing Effective Sanctions

The sanctions the Division seeks in its enforcement actions are critical to influencing the behavior of market participants, and we have a wide array of tools available to further our objectives. Possible remedies and sanctions include: obtaining monetary relief from wrongdoers in the form of disgorgement and penalties; barring wrongdoers from working in the securities industry or serving as directors and officers of public companies; and, when appropriate, more tailored relief and sanctions, such as specific undertakings, admissions of wrongdoing, and monitoring or other compliance requirements. The Division does not take a formulaic or statistics-oriented approach to determining what sanctions we will recommend in a particular matter. In every case, we consider the facts and circumstances. We often work with DERA to provide critical analysis in recommending appropriate sanctions. This allows the Commission to pursue the package of available remedies that is most appropriate in the matter at hand.

Compensating Harmed Investors

The Division is also focused on compensating harmed investors for losses stemming from violations of the federal securities laws. In many of our actions, funds paid by defendants or respondents are distributed to harmed investors. We place significant importance on putting money back in the pockets of victims when we are able to do so. In FY 2017, the Division's efforts enabled the Commission to return a substantial amount of money—a record $1.07 billion—to harmed investors.[24]

Despite our successes in returning funds to harmed investors, a recent development threatens our ability to continue doing so for long-running frauds. In the Supreme Court's

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[22] U.S. Sec. & Exch. Comm'n, *Commission Statement and Guidance on Public Company Cybersecurity Disclosures*, Securities Act Release No. 10459 (Feb. 21, 2018), available at https://www.sec.gov/rules/interp/2018/33-10459.pdf.

[23] Press Release 2018-71, *Altaba, Formerly Known as Yahoo!, Charged With Failing to Disclose Massive Cybersecurity Breach; Agrees To Pay $35 Million* (Apr. 24, 2018), available at https://www.sec.gov/news/press-release/2018-71.

[24] Enforcement Div. 2017 Annual Report, *supra* note 1, at 11.

decision in *Kokesh v. SEC*,[25] the Court held that Commission claims for disgorgement are subject to a five-year statute of limitations. The *Kokesh* decision has already had a significant impact across many parts of the Division. Many securities frauds are complex and can take significant time to uncover and investigate. Some egregious fraud schemes—including, for example, the one perpetrated by Charles Kokesh himself—are well concealed and are not discovered until investors have been victimized over many years. In certain cases, *Kokesh* threatens to severely limit the recovery available to harmed investors. Wrongdoers should not benefit because they succeeded in concealing their misconduct. While we appreciate the need for clear statutes of limitations, we are concerned with an outcome where some investors must shoulder additional losses—and the fraudulent actor is able to keep those ill-gotten gains—because those investors were tricked early in a scheme rather than later.

The ultimate impact of *Kokesh* on SEC enforcement remains to be seen. However, some of the decision's effects are already clear. For example, because of the Court's ruling, Mr. Kokesh, who was found liable for defrauding his firm's advisory clients out of approximately $35 million in client funds over many years, kept more than 80 percent of the money he stole, and his victims will get no recovery of those funds.

We are redoubling our efforts to uncover, investigate, and bring cases as quickly as possible. Our enforcement actions have the highest impact, and our litigation efforts are most effective, when we bring our cases close in time to the alleged wrongful conduct. But no matter how quickly we work, it is likely that *Kokesh* will have a significant impact on our ability to enforce the federal securities laws and obtain recovery for harmed investors in long-running frauds.

FY 2019 BUDGET REQUEST

The achievements and initiatives we have outlined come against the backdrop of significant challenges that the Division faces. These challenges are described in more detail in the FY 2019 budget request that the SEC submitted to Congress earlier this year.[26] Some of these challenges are obvious, such as the broad spectrum of securities law violations that occur across the United States each year and emerging cyber-related threats to investors and markets. Others are less obvious, such as the challenges that increasingly fragmented and complex equity markets pose to our enforcement efforts, as well as the massive volume of data that we need to obtain, process, and analyze each year in order to satisfy our investigative responsibilities. There is also an ever-increasing volume of tips, complaints, and referrals to be reviewed and assessed by Enforcement staff; last year alone, the SEC received approximately 16,500 such tips.[27] These challenges require us to constantly assess and re-assess whether we are allocating the Division's

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[25] 137 S. Ct. 1635, 1640 (2017).

[26] U.S. Sec. & Exch. Comm'n, *Fiscal Year 2019 Congressional Budget Justification and Annual Performance Plan and Fiscal Year 2017 Annual Performance Report* at 23-26 (Feb. 12, 2018), available at https://www.sec.gov/files/secfy19congbudgjust.pdf.

[27] *Id.* at 24.

limited resources in the most effective manner to address the most significant risks to investors and the markets.

To enable Enforcement to meet these challenges, and maintain an effective investigative capacity and deterrent presence, the SEC's FY 2019 budget seeks to restore several positions for Enforcement that were lost due to attrition and the SEC's inability to fill those positions with new staff as a result of the hiring freeze. Some of the requested positions will be used to support two key priorities of the Division: protecting retail investors and combatting cyber-related threats.

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Thank you for inviting us here today to discuss the Division of Enforcement. We are happy to answer any questions you may have.

U.S. SECURITIES AND EXCHANGE COMMISSION

Division of Enforcement

ANNUAL REPORT
A LOOK BACK AT FISCAL YEAR 2017

Disclaimer

This is a report of the staff of the U.S. Securities and Exchange Commission. The Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.

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MESSAGE FROM THE CO-DIRECTORS

Stephanie Avakian
CO-DIRECTOR

Steven Peikin
CO-DIRECTOR

Chairman Jay Clayton appointed us as Co-Directors of the U.S. Securities and Exchange Commission's Division of Enforcement in June 2017. We approach our roles guided by one overarching principle: Vigorous enforcement of the federal securities laws is critical to combat wrongdoing, compensate harmed investors, and maintain confidence in the integrity and fairness of our markets.

We bring to this task our combined experiences in the U.S. Attorney's Office in Manhattan, the Commission's Enforcement Division, and private law firm practice. With that background, we asked ourselves at the outset: What goals should we pursue? The question almost answers itself: protect investors, deter misconduct, and punish wrongdoers. But how to achieve those objectives is the real question. While we necessarily police a broad landscape and have numerous areas of focus, at a high level, our decision making is guided by five core principles.

Principle 1: Focus on the Main Street Investor.
Chairman Clayton has said that the Commission's analysis of whether it is accomplishing its mission "starts and ends with the long-term interests of the Main Street investor." We agree. Retail investors are often not only the most prevalent participants in our marketplace, but also the most vulnerable and least able to weather financial loss. We will continue to address the kinds of misconduct that traditionally have affected retail investors: accounting fraud, sales of unsuitable products and the pursuit of unsuitable trading strategies, pump and dump frauds, and Ponzi schemes, to name just a few.

We recently announced the formation of a Retail Strategy Task Force to develop effective strategies to address harm to retail investors. The task force will work closely with the Commission's examination staff, as well as the Office of Investor Education and Advocacy, and use data analytics to identify areas of risk to retail investors.

As we enhance our focus on retail investors, we will continue to vigorously pursue cases against financial institutions and intermediaries. We do not face a binary choice between protecting Main Street and policing Wall Street. The Commission has recently brought cases against Wall Street firms for a wide variety of misconduct, including: failing to ensure that retail clients understood the risks of complex financial products; overcharging millions in advisory fees; and putting investors in high-fee mutual fund share classes, when identical, lower-cost shares were available. Simply stated, our oversight of Wall Street is most effective, and protects those who need it most, when viewed through a lens focused on retail investors.

Principle 2: Focus On Individual Accountability.

The Commission has long pursued misconduct by both institutions and individuals. And it will continue to do so. But common sense and experience teach that individual accountability more effectively deters wrongdoing. The vigorous pursuit of individual wrongdoers must be the key feature of any effective enforcement program. That pursuit will send strong messages of both general and specific deterrence and strip wrongdoers of their ill-gotten gains. In many instances, we must also seek to protect investors by barring serious wrongdoers and recidivists from our markets.

In the six months since Chairman Clayton took office, pursuing individuals has continued to be the rule, not the exception. One or more individuals have been charged in more than 80 percent of the standalone enforcement actions the Commission has brought. To be sure, this focus on individuals consumes more of our limited resources; with more to lose, individuals are more likely to litigate with the Commission. But that price is worth paying.

Principle 3: Keep Pace With Technological Change.

Technology has dramatically transformed our markets. So too has it transformed the ability of wrongdoers to engage in cyber-enabled misconduct. Just a few years ago, it was difficult to imagine a market manipulation scheme accomplished by hacking into the electronic accounts of others and then forcing trades to pump up a stock price. Or the brokering of stolen inside information on the so-called "dark web," paid for in untraceable cryptocurrency. Yet these are the sort of schemes we now frequently encounter.

As nefarious actors take advantage of technological change and market evolution, the Commission's enforcement efforts must respond with purpose and vigor. To that end, we formed a specialized Cyber Unit to consolidate our substantial cyber-related expertise. The Cyber Unit includes experts in cyber intrusions, distributed ledger technology, and the dark web. Its members investigate and prosecute these increasing technologically-driven violations and coordinate with the Department of Justice and other criminal authorities.

Principle 4: Impose Sanctions That Most Effectively Further Enforcement Goals.

Sanctions are critical to driving behavior, and we have a wide array of tools available to further our objectives. Our remedies include: obtaining monetary relief in the form of disgorgement, penalties, and asset freezes; barring wrongdoers from working in the securities industry; and, when appropriate, obtaining more tailored relief, such as specific undertakings, admissions of wrongdoing, and monitoring or other compliance requirements. We do not believe in a formulaic or statistics-oriented approach. Instead, in every case we will consider the package of remedies that will be most appropriate in the matter at hand and more broadly.

Principle 5: Constantly Assess The Allocation Of Our Resources.

The volume of potential securities violations reflects the multi-trillion-dollar size of our markets. Last year alone, Commission personnel reviewed more than 16,000 tips, largely from the general public, and more than 20,000 reports of suspicious activity filed by broker-dealers and other entities.

The Enforcement Division is the Commission's largest division, but employs fewer than 1,200 professionals. As a result, we must constantly assess whether we are allocating our resources to address the most significant market risks and in the most effective manner, keeping front of mind the violators who pose the most serious threats to investors and market integrity.

Evaluating Our Efforts.

Judging the effectiveness of our resource allocation is a complex task. Traditionally, many have judged the Commission on quantitative metrics. Measured by those standards, Fiscal Year (FY) 2017 was successful. The Commission brought 754 actions and obtained judgments and orders totaling more than $3.7 billion in disgorgement and penalties. Significantly, it also returned a record $1.07 billion to harmed investors, suspended trading in the securities of 309 companies, and barred or suspended more than 625 individuals.

While such statistics provide some kind of measurement, they provide a limited picture of the quality, nature, and effectiveness of our efforts. For example, returning $100,000 to several dozen defrauded investors has little impact on our overall statistics, but can be life-changing for those investors. And, of course, violations that are prevented or deterred are never reflected in statistics. We also note that some cases take many years from initiation to resolution. Note that in 2017, $1.07 billion was distributed to harmed investors while $140 million was distributed in 2016, but much of the effort that resulted in the 2017 numbers occurred in prior years.

As a result, we believe the Commission's enforcement program should be judged both quantitatively and qualitatively and over various time periods. Have we focused on the most serious violations? Have we obtained meaningful punishments that deter unlawful conduct? Have we incapacitated wrongdoers? Are we recouping ill-gotten gains and returning money to investors? We believe the course we have set, and the principles we are following, answer all those questions in the affirmative.

This report is part of our effort to measure our effectiveness and our progress toward achieving these five objectives. In this report, we discuss the Enforcement Division's activity over the past fiscal year—activity that we believe should be assessed not just quantitatively, but also qualitatively.

Sincerely,

Stephanie Avakian and Steven Peikin
Co-Directors, Division of Enforcement
U.S. Securities and Exchange Commission
November 15, 2017

INTRODUCTION

The ongoing efforts made by the Division of Enforcement (Enforcement) to deter misconduct and punish securities law violators are critical to safeguarding millions of investors and instilling confidence in the integrity of the U.S. markets. Each year, Enforcement brings hundreds of civil enforcement actions against individuals and entities for fraud and other misconduct. The substantial remedies we obtain are important. They protect investors by deterring future wrongdoing, and when we obtain disgorgement of ill-gotten gains, harmed investors are often compensated. We also seek bars that prevent wrongdoers from working in the securities industry, as we believe holding individuals accountable for their improper actions is important and effective. It is a privilege to work in the securities industry and it is no place for bad actors.

INITIATIVES

Enforcement has a broad mandate with responsibility for covering broad ground across the securities markets. But, at the most basic level, the Division's area of greatest focus—protection of retail investors—has not changed over time. Today, this perspective is driving our resources to: risks posed by cyber-related misconduct; issues raised by the activities of investment advisers, broker-dealers, and other registrants; financial reporting and disclosure issues involving public companies; and insider trading and market abuse. These issues will be priorities for the Division, and we will continue to pursue cases and advance efforts to protect retail investors and market integrity.

In an effort to more closely align our allocation of resources with two of our key priorities—specifically, protecting retail investors and combatting cyber-related threats—at the end of FY 2017, the Division announced the creation of a Cyber Unit and a Retail Strategy Task Force.

The Cyber Unit

To combat cyber-related threats, which are among the greatest risks facing our securities markets, the Division formed a Cyber Unit. The Cyber Unit combines Enforcement's substantial, existing cyber-related expertise and its proficiency in digital ledger technology. The Unit initially will focus its efforts on the following key areas:

- Market manipulation schemes involving false information spread through electronic and social media;
- Hacking to obtain material nonpublic information and trading on that information;
- Violations involving distributed ledger technology and initial coin offerings (ICOs);
- Misconduct perpetrated using the dark web;
- Intrusions into retail brokerage accounts; and
- Cyber-related threats to trading platforms and other critical market infrastructure.

Although Enforcement has been focused on many of these issues for some time, the Cyber Unit formalizes the Division's efforts to develop and apply the Commission's considerable expertise in this rapidly-developing area.

While the end result of the Division's work is often a recommendation that the Commission take enforcement action, we also pursue alternatives where appropriate. The Division's recent activity in cyber-related actions provides two examples. First, in recognition of the growing use of distributed ledger technology and ICOs, in July 2017, the Commission released a Report of Investigation that concluded that the federal securities laws may apply to certain initial coin offerings or other distributed ledger or blockchain-enabled means for raising capital, depending on the facts and circumstance.[1] Second, in early November 2017, Enforcement and the Commission's Office of Compliance Inspections and Examinations (OCIE) issued a public statement concerning endorsements of stocks and other investments by celebrities and others on social media networks.[2]

The Retail Strategy Task Force

Effective enforcement of the federal securities laws is critical to safeguarding the long-term interests of retail investors. To focus the Division on the type of misconduct that often targets retail investors, the Division formed the Retail Strategy Task Force. The Task Force will be dedicated to developing effective strategies and methods to identify potential harm to retail investors. The Task Force builds on the Division's past efforts to protect retail investors and will draw from the Division's deep experience in the area. It is focused, in particular, on harnessing the Commission's ability to use technology and data analytics to identify large-scale wrongdoing. The Task Force also works closely with OCIE to identify areas of risk to retail investors, and with the Commission's Office of Investor Education and Advocacy to educate retail investors about those risks.

The Task Force will focus on wrongdoing implicating the microcap market, as well as Ponzi schemes and offering frauds, where victims typically are retail investors. But the Task Force also will focus on identifying misconduct in other areas, such as that which occurs at the intersection of investment professionals and retail investors, which can present significant opportunity for misconduct. Some examples of this type of misconduct include steering clients to higher-cost mutual fund share classes, abuses in wrap-fee accounts, investment adviser recommendations to buy and hold highly volatile products like inverse exchange-traded funds, suitability issues involving the sale of structured products to retail investors, and abusive sales practices such as churning and excessive trading.

1 www.sec.gov/litigation/investreport/34-81207.pdf.

2 www.sec.gov/news/public-statement/statement-potentially-unlawful-promotion-icos.

DISCUSSION AND ANALYSIS OF FISCAL YEAR 2017

Overall Results

Even in the midst of transition in leadership, FY 2017 was a successful and impactful year for the Enforcement Division. The Commission brought a diverse mix of 754 enforcement actions, of which:

- 446 were "standalone" actions brought in federal court or as administrative proceedings;
- 196 were "follow-on" proceedings seeking bars based on the outcome of Commission actions or actions by criminal authorities or other regulators; and
- 112 were proceedings to deregister public companies—typically microcap—that were delinquent in their Commission filings.

Detailed results from FY 2017 are set forth below. FY 2016 results are also reflected below for comparison.

The number of standalone enforcement actions decreased in FY 2017 when compared to FY 2016. The bulk of that difference is attributable to 84 actions brought in FY 2016 (roughly 15 percent of standalone actions that year) as part of the Commission's Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, a voluntary self-reporting program that targeted material misstatements and omissions in municipal bond offering documents. The MCDC Initiative concluded in FY 2016.

Enforcement Actions Filed in Fiscal Year 2017 and 2016 (Including MCDC)

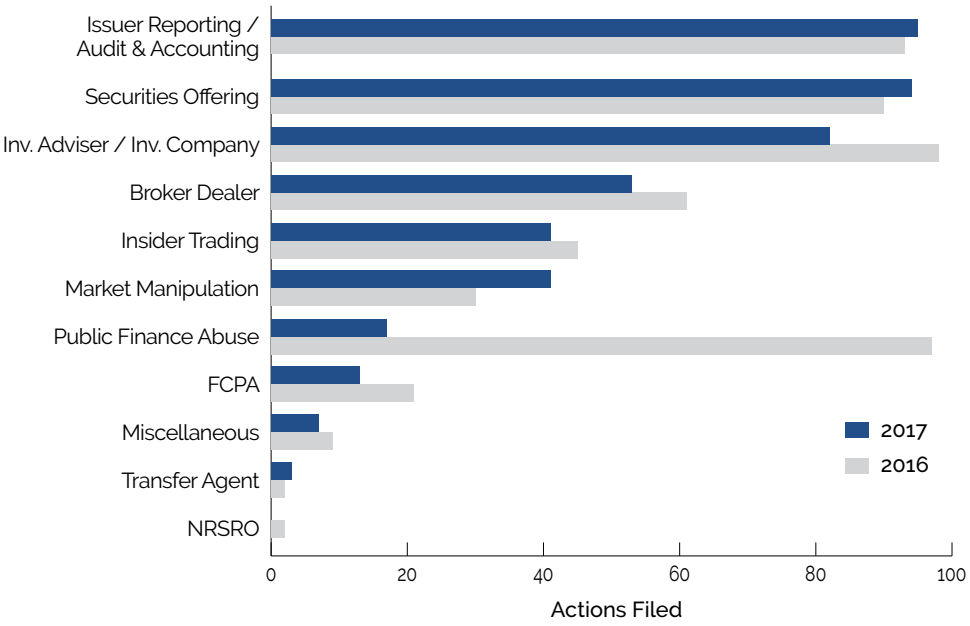
	FY 2017	FY 2016
Standalone Enforcement Actions	446	548
Follow-on Admin. Proceedings	196	195
Delinquent Filings	112	125
Total Actions	**754**	**868**

Enforcement Actions Filed in Fiscal Year 2017 and 2016 (Excluding MCDC)

	FY 2017	FY 2016
Standalone Enforcement Actions	446	464
Follow-on Admin. Proceedings	196	195
Delinquent Filings	112	125
Total Actions	**754**	**784**

Types of Cases

As the chart below illustrates, consistent with FY 2016, a significant number of the Commission's 446 standalone cases in FY 2017 concerned investment advisory issues, securities offerings, and issuer reporting/accounting and auditing, each comprising approximately 20 percent of the overall number of standalone actions. The Commission also continued to bring actions relating to market manipulation, insider trading, and broker-dealers, with each comprising approximately 10 percent of the overall number of standalone actions, as well as other areas.



A breakdown of the number and percentage of the types of actions brought in FY 2016 and 2017 is in the attached appendix.

Disgorgement and Penalties Ordered

In FY 2017, the Commission continued to obtain significant monetary judgments against parties in enforcement actions. All told, parties in the Commission's actions and proceedings were ordered to pay a total of $2.9 billion in disgorgement of ill-gotten gains, an increase over the prior year. Penalties imposed totaled $832 million, a decrease from the prior year. Total monetary relief ordered in FY 2017 declined approximately seven percent from the prior year.

Total Money Ordered (in millions)		
	FY 2017	FY 2016
Penalties	$832	$1,273
Disgorgement	$2,957	$2,809
Total	**$3,789**	**$4,083**

As the below tables demonstrate, the five percent of cases that involve the largest penalties and disgorgement account for the vast majority of all financial remedies the Commission obtains. Yet the remaining 95 percent of cases not only constitute the bulk of the Enforcement Division's overall activity, but also address the broadest array of conduct. This is one illustration of how statistical assessments present an incomplete picture.

Penalties Ordered (in Millions)				
	2017		2016	
	Total	Pct	Total	Pct
Top 5% Largest Cases	$514	62%	$954	75%
Remaining 95% Cases	$318	38%	$320	25%
Total	**$832**	**100%**	**$1,274**	**100%**

Disgorgement Ordered (in Millions)				
	2017		2016	
	Total	Pct	Total	Pct
Top 5% Largest Cases	$2,046	69%	$1,848	66%
Remaining 95% Cases	$911	31%	$961	34%
Total	**$2,957**	**100%**	**$2,809**	**100%**

Experience has shown that in most years, a significant percentage of the disgorgement and penalty totals are attributed to a small number of cases. As illustrated below, this was the case in FY 2016 and 2017.

Disgorgement Orders Over $100 Million in Fiscal Year 2017	
Party	Amount
Telia Company AB	$457 million
Braskem S.A.	$325 million
Teva Pharm. Industries Ltd.	$236 million
Steve Chen, et al.	$145 million
JPMorgan Chase & Co.	$131 million
Total Disgorgement Orders Over $100 M	**$1.294 billion**
Percentage of Total Disgorgement Ordered in FY 2017	**44%**

Disgorgement Orders Over $100 Million in Fiscal Year 2016	
Party	Amount
JPMorgan Chase Bank, N.A., et al.	$139 million
Trevor G. Cook, et al.	$264 million
Louis V. Schooler	$148 million
VimpelCom Ltd.	$375 million
The Bank of New York Mellon	$133 million
Och-Ziff Capital Mgmt Group LLC, et al.	$201 million
Total Disgorgement Orders Over $100 M	**$1.260 billion**
Percentage of Total Disgorgement Ordered in FY 2016	**45%**

Penalty Orders Over $50 Million in Fiscal Year 2017	
Party	Amount
Credit Suisse AG	$90 million
State Street Bank & Trust Co.	$75 million
Ming Xu	$57 million
Total Penalty Orders Over $50 Million	**$222 million**
Percentage of Total Penalties Ordered in FY 2017	**27%**

Penalty Orders Over $50 Million in Fiscal Year 2016	
Party	Amount
Merrill Lynch	$358 million
Weatherford Int'l	$140 million
JPMorgan Chase Bank, N.A., et al.	$128 million
Monsanto Company	$ 80 million
Total Penalty Orders Over $50 Million	**$706 million**
Percentage of Total Penalties Ordered in FY 2016	**55%**

More information about the actions that led to these disgorgement and penalty orders is available in the appendix.

Finally, a substantial amount of money was returned to harmed investors in FY 2017. In the past two years combined, the Commission distributed $1.21 billion to victims of wrongdoing. The majority of funds were distributed in FY 2017, when the Commission returned a record $1.07 billion to harmed investors.

Money Distributed to Harmed Investors (in millions)	
FY 2017	FY 2016
$1,073	$140

A significant portion of the total funds distributed in FY 2017 ($814 million) came from four Fair Funds—a $494 million disbursement from the CR Intrinsic Investors fund,[3] a $200 million disbursement from a JPMorgan Chase fund,[4] and a $120 million disbursement from two related Credit Suisse RMBS funds.[5] The balance of the funds distributed in FY 2017 ($259 million) came from 48 other distribution funds comprised of 28 Fair Funds ($242 million) and 20 Disgorgement Funds ($17 million).

Individual Accountability

Individual accountability is critical to an effective enforcement program. In FY 2017, 73 percent of the Commission's standalone actions involved charges against one or more individuals, the same percentage as in FY 2016 (excluding the 84 actions attributable to the MCDC Initiative).[6]

Relief Obtained

In every enforcement action, the Division seeks appropriately tailored sanctions that further enforcement goals. In addition to disgorgement and penalties, there are a wide array of potential remedies available. In each case, the Division seeks those remedies that will be the most meaningful. Some of these remedies are discussed in more detail below.

Trading Suspensions

Under the federal securities laws, the Commission can suspend trading in a stock for 10 days and generally prohibit a broker-dealer from soliciting investors to buy or sell the stock again until certain reporting requirements are met. Trading suspensions are a significant enforcement tool and greatly enhance our ability to protect investors from possible fraud. In FY 2017, the Commission suspended trading in the securities of 309 issuers, a 55 percent increase over FY 2016, in order to combat potential market manipulation and microcap fraud threats to investors.

3 *SEC v. CR Intrinsic Investors, LLC, et al.*, No. 12-cv-8466 (S.D.N.Y.).

4 *JPMorgan Chase & Co.*, Administrative Proceeding File No. 3-15507.

5 *Credit Suisse Securities USA, LLC, et al.*, Administrative Proceeding File No. 3-15098

6 When MCDC-related actions are included in FY 2016's count, 61 percent of the Commission's standalone actions involved charges against one or more individuals.

Court-Ordered Asset Freezes

Court-ordered prejudgment relief in the form of asset freezes is important to the Commission's ability to protect investors. These freezes prevent alleged wrongdoers from dissipating assets that could be distributed to harmed investors. Wrongdoers often are adept at hiding and moving assets offshore, and the Commission's ability to obtain meaningful financial remedies, and to return money to harmed investors, therefore may depend on the ability to obtain an asset freeze at an early stage. These circumstances require seeking federal court action on an emergency basis. In FY 2017, the Commission sought 35 court-ordered asset freezes, a slight increase from FY 2016, when the Commission sought 33 asset freezes.

Bars and Suspensions Imposed

Bars and suspensions also are invaluable tools. One of the most important things that the Commission can do proactively to protect investors and the market is to remove bad actors from positions where they can engage in future wrongdoing. Bars and suspensions are the means by which the Commission prevents wrongdoers from serving as officers or directors of public companies, dealing in penny stocks, associating with registered entities such as broker-dealers and investment advisers, or appearing or practicing before the Commission as accountants or attorneys.

Enforcement actions resulted in over 625 bars and suspensions of wrongdoers in FY 2017 and over 650 bars and suspensions in FY 2016.

Noteworthy Enforcement Actions

While the Division's efforts resulted in many noteworthy enforcement actions in FY 2017, the matters described below give a sense of some of the actions the Commission brought in areas of the Division's greatest focus, as well as actions in other areas to demonstrate the breadth of the landscape the Division covers.

In FY 2017, the Commission brought charges against:

Direct Impact on Retail Investors and Conduct of Registrants

- Thirteen individuals allegedly involved in two Long Island-based cold calling scams that bilked more than 100 victims out of more than $10 million through high-pressure sales tactics and lies about penny stocks.[7]
- Twenty-seven individuals and entities behind various alleged stock promotion schemes that left investors with the impression they were reading independent, unbiased analyses on investing websites while writers actually were being secretly compensated for touting company stock.[8]
- Barclays Capital for charging improper advisory fees and mutual fund sales charges to clients, who were overcharged by nearly $50 million. The firm agreed to pay more than $97 million in disgorgement and penalties to settle the Commission's claims.[9]

7 www.sec.gov/news/press-release/2017-124.
8 www.sec.gov/news/press-release/2017-79.
9 www.sec.gov/news/press-release/2017-98.

- Morgan Stanley Smith Barney related to single inverse ETF investments it recommended to advisory clients. The firm agreed to pay an $8 million penalty and admit wrongdoing to settle these charges.[10]
- The investment services subsidiary of SunTrust Banks for collecting more than $1.1 million in avoidable fees from clients by improperly recommending more expensive share classes of various mutual funds when cheaper shares of the same funds were available. The firm agreed to pay a $1.1 million penalty to settle the charges, and separately began refunding the overcharged fees plus interest to affected clients after the Division's investigation began.[11]
- Investment management firm Pacific Investment Management Company for misleading investors about the performance of one its first actively managed exchange-traded funds and failing to accurately value certain fund securities. The firm agreed to retain an independent compliance consultant and pay nearly $20 million to settle the charges.[12]
- BNY Mellon for miscalculating its risk-based capital ratios and risk-weighted assets reported to investors. The firm agreed to pay a $6.6 million penalty.[13]
- Three New York-based brokers for allegedly making unsuitable recommendations that resulted in substantial losses to customers and hefty commissions for the brokers. One of the brokers agreed to pay more than $400,000 to settle the charges.[14]
- Two New York-based brokers with allegedly fraudulently using an in-and-out trading strategy that was unsuitable for customers in order to generate substantial commissions for themselves.[15]

Cyber-Related Misconduct

- Three Chinese traders for allegedly trading on hacked, nonpublic, market-moving information stolen from two prominent law firms, making almost $3 million in illegal profits.[16]
- A Virginia-based mechanical engineer for allegedly scheming to manipulate the price of Fitbit stock by making a phony regulatory filing.[17]

Insider Trading

- A partner at a Hong Kong-based private equity firm who allegedly amassed more than $29 million in illegal profits by insider trading in advance of the April 2016 acquisition of DreamWorks Animation SKG Inc. by Comcast Corp.[18]
- A former government employee turned political intelligence consultant and three others for engaging in an alleged insider trading scheme involving tips of nonpublic information about government plans to cut Medicare reimbursement rates, which affected the stock prices of certain publicly traded medical providers or suppliers.[19]

10 www.sec.gov/news/pressrelease/2017-46.html.
11 www.sec.gov/news/press-release/2017-165.
12 www.sec.gov/news/pressrelease/2016-252.html.
13 www.sec.gov/news/pressrelease/2017-9.html.
14 www.sec.gov/news/press-release/2017-180.
15 www.sec.gov/news/pressrelease/2017-2.html.
16 www.sec.gov/news/pressrelease/2016-280.html.
17 www.sec.gov/news/press-release/2017-107.
18 www.sec.gov/news/pressrelease/2017-44.html.
19 www.sec.gov/news/press-release/2017-109.

Issuer Reporting and Disclosure Issues and Auditor Misconduct

- Ernst & Young LLP, which agreed to pay more than $11.8 million to settle claims related to failed audits of an oil services company that used deceptive income tax accounting to inflate earnings, as well as two of the firm's partners, who agreed to suspensions from practicing before the Commission.[20]
- KPMG LLP and an audit partner for failing to properly audit the financial statements of an oil and gas company, resulting in investors being misinformed about the energy company's value. The firm agreed to pay more than $6.2 million to settle the charges, and the audit partner agreed to a suspension from appearing and practicing before the Commission.[21]
- Canadian-based oil and gas company Penn West Petroleum Ltd. and three of its former top finance executives for their roles in an extensive, multi-year accounting fraud.[22]

Other Noteworthy Actions

- Petrochemical manufacturer Braskem S.A. for creating false books and records to conceal millions of dollars in illicit bribes paid to Brazilian government officials to win or retain business. The entity settled by paying $957 million to the Commission, the U.S. Department of Justice (DOJ), and authorities in Brazil and Switzerland.[23]
- Sweden-based telecommunications provider Telia Company AB related to violations of the Foreign Corrupt Practices Act (FCPA) to win business in Uzbekistan, which the entity settled by paying $956 million to the Commission, DOJ, and Dutch and Swedish law enforcement.[24]
- A former official of the nation's third-largest public pension fund and two brokers accused of orchestrating a pay-to-play scheme to steer billions of dollars to certain firms in exchange for luxury gifts, lavish vacations, and tens of thousands of dollars spent on illegal narcotics and prostitutes.[25]
- Citadel Securities LLC, which agreed to pay $22.6 million to settle claims that its business unit handling retail customer orders from other brokerage firms made misleading statements to them about the way it priced trades.[26]
- A businessman and two companies for defrauding investors in a pair of so-called ICOs purportedly backed by investments in real estate and diamonds.[27]
- A Ukraine-based trading firm, Avalon FA Ltd., accused of manipulating the U.S. markets hundreds of thousands of times and the New York-based brokerage firm of Lek Securities and its CEO who allegedly helped make it possible.[28]

20 www.sec.gov/news/pressrelease/2016-219.html.
21 www.sec.gov/news/press-release/2017-142.
22 www.sec.gov/news/press-release/2017-120.
23 www.sec.gov/news/pressrelease/2016-271.html.
24 www.sec.gov/news/press-release/2017-171.
25 www.sec.gov/news/pressrelease/2016-272.html.
26 www.sec.gov/news/pressrelease/2017-11.html.
27 www.sec.gov/news/press-release/2017-185-0.
28 www.sec.gov/news/pressrelease/2017-63.html.

APPENDIX

Breakdown of Classification of Standalone Enforcement Actions				
	2017		2016	
	Actions	Pct	Actions	Pct
Issuer Reporting / Audit & Accounting	95	21%	93	17%
Securities Offering	94	21%	90	16%
Inv. Adviser / Inv. Company	82	18%	98	18%
Broker Dealer	53	12%	61	11%
Market Manipulation	41	9%	30	5%
Insider Trading	41	9%	45	8%
Public Finance Abuse	17	4%	97	18%
FCPA	13	3%	21	4%
Miscellaneous	7	2%	9	2%
Transfer Agent	3	1%	2	0%
NRSRO	0	0%	2	0%
Total	**446**	**100%**	**548**	**100%**

Disgorgement Orders over $100 Million Entered in Fiscal Year 2017	
Party	Link to Release
Steve Chen, et al.	www.sec.gov/news/pressrelease/2015-227.html
JPMorgan Chase & Co.	www.sec.gov/news/pressrelease/2016-241.html
Braskem S.A.	www.sec.gov/news/pressrelease/2016-271.html
Teva Pharmaceutical Industries Ltd.	www.sec.gov/news/pressrelease/2016-277.html
Telia Company AB	www.sec.gov/news/press-release/2017-171

Penalty Orders over $50 Million Entered in Fiscal Year 2017	
Party	Link to Release
Ming Xu	www.sec.gov/news/press-release/2014-60
Credit Suisse AG	www.sec.gov/news/pressrelease/2016-210.html
State Street Bank & Trust Co.	www.sec.gov/litigation/admin/2016/ic-32390-s.pdf

Disgorgement Orders over $100 Million Entered in Fiscal Year 2016	
Party	Link to Release
Trevor G. Cook, et al.	www.sec.gov/litigation/litreleases/2009/lr21313.htm
Louis V. Schooler	www.sec.gov/news/press-release/2012-2012-183htm
JPMorgan Chase Bank, N.A., et al.	www.sec.gov/news/pressrelease/2015-283.html
The Bank of New York Mellon	www.sec.gov/litigation/admin/2016/ic-32151-s.pdf
VimpelCom Ltd.	www.sec.gov/news/pressrelease/2016-34.html
Och-Ziff Capital Management Group LLC, et al.	www.sec.gov/news/pressrelease/2016-203.html

Penalty Orders over $50 Million Entered in Fiscal Year 2016	
Party	Link to Release
Merrill Lynch, Pierce, Fenner & Smith Inc., et al.	www.sec.gov/news/pressrelease/2016-128.html
Weatherford International PLC, et al.	www.sec.gov/news/pressrelease/2016-194.html
JPMorgan Chase Bank, N.A., et al.	www.sec.gov/news/pressrelease/2015-283.html
Monsanto Company	www.sec.gov/news/pressrelease/2016-25.html
VimpelCom Ltd.	www.sec.gov/news/pressrelease/2016-34.html
Och-Ziff Capital Management Group LLC, et al.	www.sec.gov/news/pressrelease/2016-203.html

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