

## **U.S. SECURITIES AND EXCHANGE COMMISSION**

**Litigation Release No. 20265 / September 5, 2007**

***SEC v. James B. Crofwell, Case No. 07 CA 11640 RWZ (D. Mass.)***

**In the Matter of Boston Stock Exchange, Inc. and James B. Crofwell, Exchange Act Rel. No. 34-56352 / September 5, 2007**

**SEC Sues James B. Crofwell, Former President of Boston Stock Exchange, for Aiding and Abetting the Exchange's Failure to Enforce Its Rules**

The Securities and Exchange Commission today filed a civil action against James B. Crofwell, former president of the Boston Stock Exchange, for his role in failing to enforce compliance by Exchange specialist dealers with rules protecting investor-trading priority. Crofwell has agreed to settle the charges by consenting, without admitting or denying the findings in the Commission's complaint, to the entry of a final judgment in the U.S. District Court for the District of Massachusetts ordering him to pay a \$75,000 civil penalty. The settlement terms are subject to court approval.

The Commission's complaint alleges that from at least 1999 through 2004, the Exchange failed to enforce certain rules intended to prevent its specialist firms from trading in a way that benefited them at the expense of their customers. According to the complaint, the Exchange failed to develop and implement adequate procedures for surveillance of violations of its customer priority rules, which prohibit specialists from trading ahead of marketable customer orders. As a result, the complaint alleges, specialists violated the Exchange's customer priority rules. According to the complaint, Crofwell, who was then president of the Exchange, knew that the procedures then in effect were inadequate, but despite repeated warnings failed to devote resources necessary to correct the problem. The complaint alleges that Crofwell aided and abetted the Exchange's violations of Section 19(g) of the Securities Exchange Act of 1934, which requires exchanges to enforce rules governing member firms.

In related administrative proceedings, Crofwell and the Exchange consented to the issuance of a Commission Order. Without admitting or denying the findings in the Commission's order, the Exchange and Crofwell each consented to a censure and an order to cease and desist from future violations of Section 19(g) of the Exchange Act. The

Exchange further agreed to comply with specific undertakings contained in the order, including expenditure of at least \$1 million to retain a third party consultant to conduct comprehensive audits of the Exchange's surveillance, examination, investigation and disciplinary programs relating to trading, and implementation of the consultant's recommendations.

- [SEC Complaint in this matter](#)
- [Administrative Proceeding 34-56352](#)

*<http://www.sec.gov/litigation/litreleases/2007/lr20265.htm>*