

## **SEC Charges Boston Stock Exchange and Former President James Crofwell With Failing to Police Specialists**

### **FOR IMMEDIATE RELEASE 2007-171**

*Washington, D.C., Sept. 5, 2007* - The Securities and Exchange Commission today instituted a settled enforcement action against the Boston Stock Exchange and its former president James B. Crofwell for failing to enforce Exchange rules to prevent specialists from trading for their own accounts ahead of marketable customer orders.

The Commission's Order against the Exchange and Crofwell finds that the Exchange's failure allowed hundreds of violations per day to go undetected even after the Commission staff had repeatedly warned the Exchange it needed to improve its surveillance systems.

"As today's action shows, the Commission continues to be vigilant in seeking to ensure that self-regulatory organizations fulfill their obligations as regulators," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement. "Self-regulatory organizations must expend the resources necessary to vigorously enforce their own rules and to detect and prevent misconduct by their member firms."

David P. Bergers, Regional Director of the Commission's Boston Regional Office, added, "This settlement will strengthen the Boston Stock Exchange's regulatory functions and enhance investor protection. The audit called for by the settlement will assist the Exchange in making improvements to its surveillance program and help prevent misconduct from going undetected."

According to the Commission's Order, from 1999 to 2004, the Exchange and Crofwell failed to enforce Exchange rules that prohibited Exchange dealer specialist firms from trading securities for their own benefit at the expense of their customers. The Order finds that the Exchange failed to conduct adequate surveillance to detect and prevent violations of the customer priority rules. The Order also finds that Crofwell knew that the procedures then in effect were inadequate, but failed to devote resources necessary to correct the problem.

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, which requires exchanges to enforce rules governing member firms. 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.

Croftwell also consented, subject to court approval, to entry of a final judgment in a related settled civil action filed in the U.S. District Court for the District of Massachusetts, ordering him to pay a \$75,000 civil penalty for aiding and abetting the Exchange's violations of section 19(g) of the Exchange Act.

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▶ Additional materials: [Litigation Release No. 20265](#); [Administrative Proceeding 34-56352](#)

<http://www.sec.gov/news/press/2007/2007-171.htm>