

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 54108 / July 6, 2006**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2531 / July 6, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12358**

**In the Matter of**

**TODD J. COHEN,**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTION 203(f) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Todd J. Cohen (“Cohen” 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 Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934

and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

#### A. RESPONDENT

Todd J. Cohen, age 40, was a principal at Suncoast Capital Group, Ltd. (“Suncoast”), a registered broker-dealer based in Ft. Lauderdale, Florida, from the time he and another person founded the firm in 1993 until its sale to another broker-dealer in 2000. He was also Suncoast’s president and the supervisor of the trading desk. Cohen had a one-third interest in the general partner that owned approximately sixty-five percent of Suncoast. Cohen currently heads the marketing department of a registered investment adviser located in Weston, Florida. Cohen holds NASD Series 7 and 24 licenses. Cohen lives in Weston, Florida.

#### B. OTHER RELEVANT ENTITIES AND INDIVIDUALS

1. Suncoast was a broker-dealer registered with the Commission from 1993 to 2000 pursuant to Section 15(b) of the Exchange Act. Suncoast's principal place of business was in Fort Lauderdale, Florida. Suncoast’s assets were sold to another broker-dealer in 2000.

2. New York Life Insurance Company, Inc. ("New York Life"), a mutual insurance company headquartered in New York City, is owned by its policyholders and regulated by the New York State Department of Insurance. From late 1997 through 1999, New York Life was a customer of Suncoast with regard to certain proprietary investments made by New York Life.

3. Anthony Dong-Yin Shen ("Shen") was employed by New York Life from 1995 until approximately October 1999 as a trader of government agency and mortgage-backed securities held in New York Life's proprietary accounts. Shen was Suncoast's contact at New York Life.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> The Commission filed a civil action against Shen on March 22, 2001, and Shen consented, without admitting or denying the allegations in the Commission’s Complaint, to a final judgment that was entered on November 19, 2003, enjoining Shen from violating Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The final judgment also ordered Shen to pay disgorgement of \$278,000. *See SEC v. Anthony D. Shen, et al.*, 01 Civ. 2438 (GDB) (S.D.N.Y.), Litigation Release No. 18478 (November 24, 2003).

4. Deborah J. Breckenridge ("Breckenridge") was a registered representative and salesperson at Suncoast from 1993 until approximately August 1999. Breckenridge was the Suncoast salesperson assigned to the New York Life account.<sup>3</sup>

5. Howard S. Singer ("Singer"), age 57, was a trader at Suncoast from July 1998 until the sale of its assets to another broker-dealer in 2000. At Suncoast, Singer worked as a trader on the trading desk and had primary responsibility for trading Treasury securities. While at Suncoast, Singer worked under Cohen's supervision. Singer no longer works in the securities industry.<sup>4</sup>

6. A Suncoast trader who worked under Cohen's supervision ("Trader A") from August 1997 until the sale of Suncoast's assets to another broker-dealer in 2000 had primary responsibility for trading mortgage-backed securities.

### C. BACKGROUND

Over a seventeen-month period in 1998 and 1999, Breckenridge, a registered representative at broker-dealer Suncoast, paid cash bribes and kickbacks and arranged for other gifts and gratuities to Shen, a trader at Suncoast's largest client, New York Life. In exchange, Shen directed a number of transactions in Treasury securities and mortgage-backed securities to Suncoast. Most of the trades that Shen directed to Suncoast were executed at prices that were off-market or at prices that were more favorable to Suncoast and detrimental to New York Life than the prices that were otherwise available in the market. Most of the trades that Shen directed to Suncoast were executed by Singer or Trader A. Singer and Trader A both knew that the prices Suncoast charged in many of these transactions bore no reasonable relationship to prevailing market prices.

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<sup>3</sup> The Commission filed a civil action against Breckenridge on March 22, 2001, and Breckenridge consented, without admitting or denying the allegations in the Commission's Complaint, to a final judgment that was entered on March 31, 2004, enjoining her from violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The final judgment also ordered Breckenridge to pay \$236,562 in disgorgement and prejudgment interest. *See SEC v. Anthony D. Shen, et al.*, 01 Civ. 2438 (GDB) (S.D.N.Y.), Litigation Release No. 18667 (April 13, 2004). On April 13, 2004, the Commission instituted settled administrative proceedings pursuant to Section 15(b) of the Exchange Act barring Breckenridge from association with any broker or dealer.

<sup>4</sup> On September 25, 2003, the Commission instituted settled administrative and cease-and-desist proceedings against Singer pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act. In those proceedings, the Commission found that Singer executed six trades in U.S. Treasury securities at prices that were off-market and not reasonably related to prevailing market prices, and that Singer thereby violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. The Commission also found that Singer willfully aided and abetted Breckenridge and Shen's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. In settlement of those proceedings, Singer consented, without admitting or denying the Commission's findings, to the issuance of an order that: (i) ordered him to cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, (ii) suspended Singer from association with any broker or dealer for a period of three months, and (iii) ordered him to pay a civil money penalty of \$25,000.

#### D. COHEN'S FAILURE TO SUPERVISE

1. Cohen directly supervised Singer from July 1998 until the sale of Suncoast's assets in 2000. Cohen failed reasonably to supervise Singer with a view to detecting and preventing Singer's violations of the federal securities laws. Cohen failed to respond to various "red flags" relating to Singer's trading activity, including the fact that the prices charged in several of the trades of Treasury securities executed for New York Life were excessively marked down and not reasonably related to prevailing market prices, as well as the unusually high commissions earned by Suncoast on those trades.

2. Six of the Treasury securities trades executed by Singer included markdowns of 5.5/32 percent to 10/32 percent of the face value of the securities. The Commission found that, under the relevant particular facts, including industry practice, prices on comparable transactions, and the riskless nature of the securities transactions, the prices on the Treasury trades were excessively marked down and not reasonably related to prevailing market prices. Singer consented, without admitting or denying the Commission's findings, to the issuance of an order that: (i) ordered him to cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, (ii) suspended Singer from association with any broker or dealer for a period of three months, and (iii) ordered him to pay a civil money penalty of \$25,000.

3. The Commission also found that Singer had a duty to treat Suncoast's customers fairly and to inform Suncoast's customers of material information relevant to their trading relationship. Singer failed to disclose to New York Life the material information that the Treasury trades were executed at prices that were off-market and not reasonably related to prevailing market prices.

4. Based on the foregoing findings, the Commission found that Singer willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities. The Commission also found that Singer willfully aided and abetted and caused Breckenridge and Shen's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

5. As Singer's supervisor, Cohen reviewed and approved Singer's trade tickets and reviewed daily trading blotters reflecting Singer's trading activity. Suncoast's written supervisory procedures required Cohen to review each order ticket or review the firm's trading blotters reflecting commissions and markups. The written supervisory procedures also required Cohen to ensure that markups, markdowns and commissions charged by the firm on trades executed by Singer were consistent with the firm's policies and based upon prevailing market prices.

6. Cohen did not adequately evaluate whether Singer's trading activity involved off-market pricing despite the red flags presented by the order tickets and trading blotters. As Singer's immediate and direct supervisor, Cohen was responsible for detecting and preventing Singer's violations of the federal securities laws as a result of the excessive markdowns charged to New

York Life. Cohen did not discharge his supervisory duties because he failed to take any steps to investigate the red flags presented by Singer's trading activity.

7. Cohen directly supervised Trader A from August 1997 until the sale of Suncoast's assets in 2000. Cohen failed reasonably to supervise Trader A with a view to detecting and preventing Trader A's violations of the federal securities laws. Cohen failed to respond to various "red flags" relating to Trader A's trading activity, including the excessive prices charged in several of the trades of mortgage-backed securities executed for New York Life and the unusually high commissions earned by Suncoast on those trades. Cohen ignored an additional red flag when he failed to question or follow up on Breckenridge and Shen's request to significantly decrease the markup on one of the trades that had been executed by Trader A. If he had inquired or followed up, he may have detected that Trader A, Breckenridge and Shen were attempting to conceal the excessive markups from New York Life.

8. Twenty-one trades of mortgage-backed securities executed by Trader A included markups or markdowns of 2.25/32 percent to 42.5/32 percent of the face value of the securities. Under the particular facts of this case, including industry practice, prices on comparable transactions, and the riskless nature of the securities transactions, the prices on the mortgage-backed security trades were excessive and not reasonably related to prevailing market prices.

9. Trader A had a duty to treat Suncoast's customers fairly and to inform Suncoast's customers of material information relevant to their trading relationship. Trader A failed to disclose to New York Life the material information that the mortgage-backed security trades were executed at prices that were off-market and not reasonably related to prevailing market prices.

10. As Trader A's supervisor, Cohen reviewed and approved Trader A's trade tickets and reviewed daily trading blotters reflecting Trader A's trading activity. Suncoast's written supervisory procedures required Cohen to review each order ticket or review the firm's trading blotters reflecting commissions and markups. The written supervisory procedures also required Cohen to ensure that markups and commissions charged by the firm on trades executed by Trader A were consistent with the firm's policies and based upon prevailing market prices.

11. Cohen did not evaluate whether Trader A's trading activity involved off-market pricing despite the red flags presented by the order tickets and trading blotters. As Trader A's immediate and direct supervisor, Cohen was responsible for detecting and preventing Trader A's violations of the federal securities laws as a result of the excessive markups charged to New York Life. Cohen did not discharge his supervisory duties because he failed to take any steps to investigate the red flags presented by Trader A's trading activity.

12. As a principal with a one-third interest in the general partner that owned approximately sixty-five percent of Suncoast, Cohen shared in the profits generated by the excessive commissions on the trades executed by Singer and Trader A.

## E. VIOLATIONS

Section 15(b)(6) of the Exchange Act, incorporating by reference Section 15(b)(4)(E) of the Exchange Act, authorizes the Commission to sanction any person who is associated, or at the time of the alleged misconduct was associated, with a broker or dealer if it finds that the sanction is in the public interest and the person “has failed reasonably to supervise, with a view to preventing violations of the [federal securities laws], another person who commits such a violation, if such person is subject to his supervision.” Exchange Act § 15(b)(4)(E); Exchange Act § 15(b)(6). Similarly, Section 203(f) of the Advisers Act, incorporating by reference Section 203(e)(6) of the Advisers Act, authorizes the Commission to sanction any person who is associated, or at the time of the alleged misconduct was associated, with an investment adviser if it finds that the sanction is in the public interest and the person “has failed reasonably to supervise, with a view to preventing violations of the [federal securities laws], another person who commits such a violation, if such person is subject to his supervision.” Advisers Act § 203(e)(6); Advisers Act § 203(f).

A supervisor must respond reasonably when confronted with indications suggesting that a registered representative or other person subject to the supervisor’s supervision may be engaged in improper activity. In the Matter of John H. Gutfreund, 51 S.E.C. 93, 113, Exchange Act Release No. 34-31554 (Dec. 3, 1992). “The supervisory obligations imposed by the federal securities laws require a vigorous response even to indications of wrongdoing.” Id. at 108. “Red flags and suggestions of irregularities demand inquiry as well as adequate follow-up and review. When indications of impropriety reach the attention of those in authority, they must act decisively to detect and prevent violations of the federal securities laws.” In the Matter of Edwin Kantor, 51 S.E.C. 440, 447, Exchange Act Release No. 32341 (May 20, 1993) (internal quotations omitted).

As a result of the conduct described above, Cohen failed reasonably to supervise Singer and Trader A with a view to detecting and preventing their violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Cohen also failed reasonably to supervise Singer and Trader A with a view to detecting and preventing their aiding and abetting Breckenridge and Shen’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Singer’s causing of such violations.

## F. UNDERTAKING

Cohen shall provide to the Commission, within ten (10) days after the end of the six-month suspension period described below in Section IV, an affidavit that he has complied fully with this sanction. Such affidavit shall be submitted under cover letter that identifies Todd J. Cohen as a Respondent and the file number of these proceedings, and hand-delivered or mailed to Antonia Chion, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-7553.

## IV.

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

Accordingly, pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Cohen be, and hereby is, suspended from acting in a supervisory capacity for any broker, dealer, or investment adviser for a period of six (6) months, effective beginning the second Monday following the issuance of this Order.

B. Respondent shall, within ten (10) days of the entry of this Order, pay disgorgement of \$52,897.11 and prejudgment interest of \$30,504.45 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and (D) submitted under cover letter that identifies Todd J. Cohen as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Antonia Chion, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-7553.

C. Respondent shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and (D) submitted under cover letter that identifies Todd J. Cohen as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Antonia Chion, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, D.C. 20549-7553.

By the Commission.

Nancy M. Morris  
Secretary