

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 8673 / March 21, 2006

SECURITIES EXCHANGE ACT OF 1934

Release No. 53523 / March 21, 2006

ADMINISTRATIVE PROCEEDING

File No. 3-12243

In the Matter of

SANJAY SINGH,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER PURSUANT TO
SECTION 8A OF THE SECURITIES ACT OF
1933 AND SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934**

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 Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Sanjay Singh (“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, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and, Sections 15(b) and 21C of the Securities Exchange Act of 1934, (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

A. Summary

1. From approximately 2002 to 2003, A.B. Watley, Inc. ("Watley"), a broker-dealer, and certain of its officers and employees engaged in a fraudulent scheme whereby a group of Watley day traders improperly obtained confidential institutional customer order flow information from registered representatives ("RRs") at large broker-dealers and a floor clerk on the New York Stock Exchange. The day traders then "traded ahead" of large customer orders and, to the detriment of the institutional customers, profited by taking advantage of temporary price movements caused by the subsequent execution of those orders. As a result of this scheme, Watley and certain Watley officers and employees violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Watley violated Section 15(c) of the Exchange Act. Singh, a manager on the day trading desk at Watley, caused and willfully aided and abetted these violations by, among other things, obtaining access to the institutional customer order flow information from certain RRs at the broker-dealers, and by collecting cash from the day traders to pay the RRs at the broker-dealers in exchange for access to the order flow information.

B. Respondent

2. Sanjay Singh is a resident of New York, N.Y. Singh was employed as a manager of the day trading desk at Watley from approximately May 2002 until September 2003. Singh held Series 7 and 63 licenses. Singh therefore was a person associated with a broker-dealer.

C. Related Parties and Individuals

3. A.B. Watley Group, Inc. ("Watley Group"), a Delaware corporation, is a publicly-traded holding company that has conducted business through broker-dealer subsidiaries engaged in proprietary trading, direct-access trading for institutional and retail customers, and futures trading.

4. Watley was a registered broker-dealer headquartered in New York, New York. Watley also maintained branch offices in Queens, New York and San Francisco. Watley was a day trading firm that provided customers with access to trading facilities and employed individuals to trade the firm's capital at its headquarters and branch offices. From approximately February 2002 through September 2003, Watley employed from 60 to over 100 traders to trade the firm's capital. Watley's registration as a broker-dealer was withdrawn on April 27, 2004.

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.

D. Facts

Institutional Brokerages Use “Squawk Boxes” For Internal Circulation Of Confidential Information Regarding Customer Orders

5. At many large broker-dealers, a “squawk box” is a loudspeaker connected to an intercom system that is used to broadcast market-related information to other employees within that firm. Within institutional equities departments at major broker-dealers, sales and trading personnel use squawk boxes to announce to colleagues within the firm that an institutional customer has placed a large block order in a certain stock. A sales trader announces a pending order on the squawk box to attempt to fill the customer order by finding a contra party among the firm’s other customers (rather than filling the order through an exchange or an electronic marketplace). In those cases, the sales trader typically announces over the squawk box the stock symbol, the side (buy or sell), the quantity, and the price. RRs who hear the order over the squawk box may then contact institutional customers to see if they are interested in filling or partly filling the other side of the pending block order.

6. Institutional customers expect their RRs to keep confidential information regarding the customers’ market activities including orders to buy or sell securities. Customers require confidentiality for several reasons, including: (1) the possibility that knowledge of a pending order would negatively affect the price at which the securities firm could execute the order; (2) the possibility that other market participants could discern the identity of the customer, to the possible detriment of the customer’s market strategies; and (3) generally, as a critical aspect of the relationship of trust that the customer has with its RR. Customers implicitly authorize RRs to divulge sufficient information about their orders to assist in executing the orders, but do not authorize brokers to divulge information about their orders to other persons, such as day traders who plan to trade ahead of their orders.

7. Watley obtained unauthorized access to the institutional equities squawk boxes of several broker-dealers after making secret arrangements with RRs (“the Brokers”) at each of those firms. Each of the broker-dealer firms had policies requiring the protection of the confidential information of its customers, including customer orders.

Watley Developed A Proprietary Trading Business Based On Use Of Improperly-Obtained Squawk Boxes

8. Until early 2002, Watley’s primary business consisted of providing customers the ability to trade securities online. In approximately early 2002, senior Watley Group and Watley officers established a proprietary trading desk at Watley, which became Watley’s principal business. Watley hired a number of proprietary traders and supervisory personnel. Watley promoted Singh, whom Watley already employed as a computer specialist, to a manager of the proprietary trading desk.

9. The Brokers provided the Watley traders with a direct telephone line to their employers’ squawk boxes for various time spans between June 2002 through September 2003.

Telephone connections between the Brokers and the day traders at Watley remained open for several hours, if not the entire trading day for several months to over a year and a half.

10. Singh was one of several Watley employees who telephoned the Brokers to initiate squawk box connections. The output of the squawk boxes could be heard by Watley day traders over telephone speakers on the proprietary trading desk. Singh later connected the squawk boxes feeds into WinAmp, a computer application that can transmit audio files over computer speakers. If day traders wanted to listen to a particular squawk box, Singh was one of several Watley managers whom they would ask for access. Singh understood that the Watley day traders used the information broadcast on the squawk boxes to trade ahead of the orders of the customers of the Brokers' firms.

11. Watley compensated the Brokers in part by making cash payments to them. Singh helped to collect contributions from Watley day traders knowing that the money would be used by Watley employees to pay the Brokers for providing access to their firm's squawk box.

12. Between at least June 2002 and September 2003, the Watley traders placed over 400 trades based on the order flow information provided by the Brokers, and made at least \$650,000 in gross profits.

13. Singh received a salary from Watley in exchange for serving as a manager for the firm's proprietary trading desk.

14. After leaving Watley in September 2003, Singh went to another day-trading firm with former Watley employees, who obtained access to one or more institutional equities squawk boxes. Singh used the squawk box information to trade ahead of the broker-dealers' customer orders for his own account.

E. Legal Section

Watley, And Its Employees, Among Others, Violated The Securities Laws, And Singh Caused, And Willfully Aided And Abetted, These Violations

15. As described above, Watley and certain Watley officers and employees, among others, actively participated in a fraudulent scheme by improperly obtaining access to material, non-public information about large securities orders placed by customers of broker-dealers, which Watley day traders used to trade ahead of those customer orders.

16. As a result of the conduct described above, Watley and certain Watley officers and employees, among others, violated Section 17(a) of the Securities Act, which makes it unlawful for any person in the offer or sale of securities to employ any device, scheme or artifice to defraud; to obtain money by means of any untrue statement or omission of material fact; or to engage in any transaction, practice or course of business which operates or would operate as a fraud or deceit upon the purchaser.

17. Also as a result of the conduct described above, Watley and certain Watley officers and employees, among others, violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit, in connection with the purchase or sale of securities, the use of any manipulative or deceptive device, including any device, scheme or artifice to defraud; making any untrue statement of material fact or omitting to state a material fact when doing so makes the statement made misleading; or engaging in any act, practice or course of business which operates or would operate as a fraud.

18. Also as a result of the conduct described above, Watley violated Section 15(c) of the Exchange Act, which prohibits broker-dealers from effecting transactions in, or inducing or attempting to induce, the purchase or sale of securities (other than on a national securities exchange of which it was a member) by means of a manipulative, deceptive, or other fraudulent device or contrivance.

19. Singh caused and willfully aided and abetted the violations by Watley and by certain officers and employees of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Singh caused and willfully aided and abetted Watley's violation of Section 15(c) of the Exchange Act. For example, Singh knowingly initiated telephone connections with the Brokers to transmit the squawk box broadcasts from the Brokers' firms to Watley and routed the content of the squawk box through the Watley computer system loudspeakers so the output could be heard by the Watley day traders and used for trading ahead. Singh also assisted in collecting cash contributions from day traders knowing that the money would be used to pay the Brokers for providing access to their firms' squawk boxes.

20. In determining to accept the Offer, the Commission considered the cooperation Singh provided to the Commission staff during its investigation.

F. Undertakings

21. Respondent undertakes to cooperate fully with the Commission in any and all investigations, litigations or other proceedings brought by the Commission relating to or arising from the matters described in the Order and agrees:

a. To comply with any and all reasonable requests by the Commission's staff for documents or other information;

b. To be interviewed at such times as the Commission's staff reasonably may direct;

c. To appear and testify in such investigations, depositions, hearings or trials as the Commission's staff reasonably may direct; and

d. That in connection with any (i) testimony of Respondent to be conducted by testimony session, deposition, hearing or trial, or (ii) requests for documents or other information, that any notice or subpoena for such may be addressed to:

David U. Gourevitch, Esq.
Law Office of David U. Gourevitch, P.C.
Tower 56, 2nd Floor, 126 East 56th Street
New York, New York 10022

In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and from causing any violations and any future violations of Section 15(c) of the Exchange Act thereunder;

B. Respondent be, and hereby is, barred from association with any broker or dealer;

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order; and

D. IT IS FURTHER ORDERED that Respondent shall, within 30 days of the entry of this Order, pay disgorgement in the total amount of \$37,500 to the United States Treasury. Such payment shall be: (A) made by wire transfer, 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) wired, 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 Sanjay Singh as 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 Helene Glotzer, Division of Enforcement, Securities and Exchange Commission, Northeast Regional Office, 3 World Financial Center, New York, NY, 10281.

By the Commission.

Nancy M. Morris
Secretary