UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT COMPANY ACT OF 1940
Release No. 28141 / February 5, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-12948

In the Matter of **MICHAEL MAURIELLO** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 9(f) OF THE INVESTMENT COMPANY ACT OF 1940.**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Michael Mauriello.

II.

In anticipation of the institution of these proceedings, Michael Mauriello ("Mauriello" or 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 Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Respondent

1. Michael Mauriello, age 49, was employed at Ritchie Capital Management, LLC ("Ritchie Capital"), an Illinois hedge fund adviser, from at least January 2001 through September 2003. Mauriello held an operations role in Ritchie Capital's mutual fund group. He was responsible for placing mutual fund trades with brokers on behalf of Ritchie Capital.

Overview

2. From at least January 2001 through September 2003, Ritchie Capital placed thousands of late trades in mutual fund shares and used post-4:00 p.m.[2] news and market information to make its mutual fund trading decisions while receiving the same day's net asset value ("NAV") for the mutual funds traded. During this time-period, Mauriello was primarily responsible for placing late trades for Ritchie Capital and placed these trades after consultation with Ritchie Capital traders. Ritchie Capital's mutual fund transactions were conducted using introducing brokers and dealers in fund securities or persons designated in a fund prospectus as authorized to consummate transactions in such fund's securities, such as Bear Stearns Securities Corp. ("Bear Stearns"), Trautman Wasserman & Co. ("Trautman"), Banc of America Securities, and CIBC World Markets Corp. ("CIBC").

Late Trading

3. "Late trading" refers to the practice of placing orders to buy or sell mutual fund shares after the time as of which a mutual fund has calculated its NAV (usually as of the close of trading at 4:00 p.m.), but receiving the price based on the prior NAV already determined as of 4:00 p.m. Late trading enables the trader to profit from market events that occur after 4:00 p.m. but that are not reflected in that day's price. In particular, the late trader obtains an advantage – at the expense of the other shareholders of the mutual fund – when he learns of market moving information and is able to purchase (or sell) mutual fund shares at prices set before the market moving information is released. Late trading violates Rule 22c-1(a) under the Investment Company Act and harms other shareholders when late trading dilutes the value of their shares.

Mauriello Placed Late Trades with Trautman

4. From at least January 2001 through September 2003, Ritchie Capital used Trautman to execute thousands of mutual fund trades after 4:00 p.m. Ritchie Capital's late

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[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.

[2] This Order uses Eastern Time unless otherwise noted.

trading at Trautman was designed to allow Ritchie Capital to use post-4:00 p.m. information in making its trading decisions.

5. In 2001, Ritchie Capital devised a strategy for late trading domestic mutual funds. Specifically, Ritchie Capital's strategy primarily focused on market movement in the S&P 500 Index Futures after 4:00 p.m. Ritchie Capital believed there was a correlation between movement in the S&P 500 Index Futures and the domestic mutual funds that tracked the U.S. stock market. Thus, Ritchie Capital's strategy centered on the fact that post-4 p.m. movement in the S&P 500 Index Futures would not be reflected in domestic mutual funds' NAV that day, and thus would be incorporated into the next day's NAV.

6. Ritchie Capital also followed post-4:00 p.m. news, such as earnings and merger announcements, and political events, and occasionally used that information in making its trading decisions. Finally, on occasion, Ritchie Capital obtained the NAV for its most frequently traded domestic mutual funds, which was generally disclosed by the funds shortly after 4:00 p.m., and sometimes used that information before making its trading decisions.

7. By trading domestic mutual funds after 4:00 p.m., but at that day's NAV, Ritchie Capital was able to reap an advantage by having more information than the ordinary investor about whether to buy or sell mutual funds on any given day.

8. Mauriello placed late trades at Ritchie Capital. On an almost daily basis, by approximately 3:45 p.m., Mauriello sent to Trautman employees, via facsimile or electronic mail, spreadsheets that listed hundreds of potential mutual fund trades ("trade sheets"). These trade sheets, which were treated as order tickets, contained virtually every possible mutual fund trade that Ritchie Capital could place that day, including both purchases and sales of mutual funds.

9. Mauriello sent these trade sheets to Trautman before 4:00 p.m. Trautman employees collected these trade sheets and stamped them at approximately 3:45 p.m. Although the trade sheets had pre-4:00 p.m. time-stamps, Trautman did not enter these trades for execution into its mutual fund routing system when it received the trade sheets and time-stamped them.

10. On a daily basis, Mauriello received information from Ritchie Capital traders about the movement in the S&P 500 Index Futures and other post-4 p.m. news and market information. This information allowed Ritchie Capital traders to determine whether to buy or sell mutual funds that day in accordance with the late trading strategy. Mauriello, in consultation with others, determined which mutual funds Ritchie Capital could trade based on a spreadsheet he maintained that identified the dollar amount and number of trades Ritchie Capital could place at the mutual funds.

11. Mauriello called Trautman regularly after 4:00 p.m. to confirm, modify and/or cancel trades that were listed on the trade sheets. Because he had submitted pre-4 p.m. nearly all possible mutual funds trades that it could make every day, Mauriello's post-4 p.m. telephone call to Trautman primarily consisted of picking which trades it wished to make off the trade sheets and asking Trautman to "cancel" or disregard others.

12. Trautman did not enter trades until it received a phone call from Mauriello or others at Ritchie Capital after 4:00 p.m. that confirmed or canceled the trades that were on the pre-4:00 p.m. trade sheets. Indeed, Ritchie Capital's trade sheets stated that the orders listed were subject to "verbal confirmation." Banc of America Securities was the clearing firm for Trautman's mutual fund trades

13. On occasion, Mauriello, in consultation with others, also submitted wholly new orders after 4:00 p.m. that were not part of the trade sheets stamped before 4 p.m. Mauriello, in consultation with others, also sometimes changed the number of mutual fund shares that were traded post-4:00 p.m. from those listed on the trade sheets. Trautman entered these orders without creating new or modified trade sheets or restamping these sheets.

14. Recorded telephone conversations establish that Mauriello placed late trades, on behalf of Ritchie Capital, through Trautman. For example, on January 18, 2002 at 3:47 p.m., Mauriello called a Trautman employee and informed him that "the domestic, we really can't make. . . can't even make a call . . . until after the stock market closes . . . so unless the market rallies between . . .4:00 and 4:15, we're not doing anything." On March 14, 2002 at 5:38 p.m., Mauriello told a Trautman employee that in order for Ritchie Capital to trade mutual funds that night, "the market has got to move a decent amount in these after hours here." On October 23, 2002 at 5:54 p.m., Mauriello instructed a Trautman employee on which mutual fund trades to execute and which to "throw out," and, referring to the trade sheets, also directed him to substitute one fund for another.

Mauriello Placed Late Trades Using the Bear Stearns Electronic Platform

15. From January 2001 through September 2003, Ritchie Capital placed thousands of late trades in mutual funds through Bear Stearns' mutual fund routing system ("MFRS"), an electronic trading platform, between 4:00 p.m. and 5:51 p.m. Bear Stearns' trading records clearly identify the input times of these trades through MFRS, which were after 4:00 p.m.

16. Between January 2001 and September 2003, Mauriello, in consultation with others, often placed mutual fund late trades through MFRS.

17. Recorded telephone conversations confirm that Mauriello placed late trades using MFRS. For example, in a recorded telephone conversation on October 17, 2002 between Mauriello and a representative from Bear Stearns, Mauriello called regarding a problem with an account at 5:22 p.m. and asked if he could still do trades through MFRS. The Bear Stearns representative replied affirmatively and stated: "You have until 5:45 p.m."

Mauriello Placed Late Trades through CIBC

18. Ritchie Capital also placed mutual fund late trades through CIBC. Although late trading through CIBC did not occur on a daily basis, between 2001 and 2003, Ritchie Capital had the ability to and periodically did trade through CIBC as late as 4:30 p.m. Ritchie Capital's late trading was limited to trading in international mutual funds during this time-period.

19. On an almost daily basis, Mauriello, in consultation with others, sent, via facsimile or electronic mail, trade sheets to CIBC employees around 3:30 p.m. While Mauriello would usually call to confirm or cancel the trades shortly before or at 4:00 p.m., he would sometimes ask CIBC to hold the trade sheets past 4:00 p.m. In these circumstances, Mauriello would then call back to make a final decision between 4:00 and 4:30 p.m. on which mutual funds to trade that day.

20. Recorded telephone conversations demonstrate that Mauriello placed late trades with CIBC. For example, at 4:26 p.m. on August 21, 2001, Mauriello called a CIBC employee to ask if he could execute mutual fund trades. Referring to the trade sheets, the CIBC employee responded, "I'm going to have to take it out of the garbage, but yeah." On October 3, 2001, a CIBC employee called Mauriello at 4:03 p.m. to ask him if he still wanted to do their pre-4 p.m. submitted trades given that "they just hijacked another plane in India." Mauriello confirmed that the trades should still be processed. As another example, on May 7, 2002, a CIBC employee called Mauriello at 4:15 p.m. to check if he wanted to do any trades based on "Cisco's strong numbers."

Violations

21. As a result of the conduct described above, Mauriello caused violations of Rule 22c-1 under the Investment Company Act by certain mutual funds, the funds' principal underwriters, persons designated in the funds' prospectuses as authorized to consummate transactions in any such security, their principal underwriters, or dealers in the funds' securities Rule 22c-1 requires mutual funds and their dealers to sell and redeem fund shares at a price based on the current NAV next computed after receipt of an order to buy or redeem.

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 9(f) of the Investment Company Act, it is hereby ORDERED that**:**

Mauriello shall cease and desist from committing or causing any violations and any future violations of Rule 22c-1 under the Investment Company Act.

By the Commission.

Nancy M. Morris
Secretary