

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 55990 / June 29, 2007**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 27881 / June 29, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12559**

**In the Matter of**

**TRAUTMAN WASSERMAN &  
COMPANY, INC.,  
GREGORY O. TRAUTMAN,  
SAMUEL M. WASSERMAN,  
MARK BARBERA,  
JAMES A. WILSON, JR.,  
JEROME SNYDER, AND  
FORDE H. PRIGOT,**

**Respondents.**

**ORDER MAKING FINDINGS AND  
IMPOSING REMEDIAL SANCTIONS  
AND A CEASE-AND-DESIST ORDER  
PURSUANT TO SECTIONS 15(b) AND  
21C OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND SECTION 9(b) OF  
THE INVESTMENT COMPANY ACT  
OF 1940 AS TO JEROME SNYDER**

**I.**

On February 5, 2007, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against respondents including Jerome Snyder (“Respondent”).

**II.**

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, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 as to Jerome Snyder (“Order”), as set forth below.

### III.

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

#### Summary

1. This matter concerns a scheme to defraud mutual funds through, among other conduct, deceptive market timing of mutual funds through Trautman Wasserman & Company, Inc. (“TWCO”), a registered broker-dealer. TWCO employed deceptive tactics to evade mutual funds’ efforts to restrict TWCO’s hedge fund customers’ market timing of mutual funds. This illegal conduct generated significant revenues for TWCO and harmed mutual fund investors by diluting the value of their investment.

2. TWCO’s mutual fund trading department consisted principally of two registered representatives (“RRs”), James A. Wilson, Jr. (“Wilson”) and Scott A. Christian (“Christian”). Numerous mutual funds notified Wilson, Christian, and others at TWCO that frequent trading by TWCO’s customers violated prohibitions in the mutual funds’ prospectuses, and the mutual funds instructed TWCO to stop permitting its customers to trade those funds. Christian and others, acting at Wilson’s direction, then employed deceptive tactics to continue trading the mutual funds that had requested TWCO’s customers to stop.

3. TWCO’s former chief administrative officer, Snyder, also participated in TWCO’s fraudulent market timing. Snyder took steps to deceive mutual fund companies about TWCO’s customers’ market timing to evade the mutual fund companies’ efforts to curtail the practice.

#### Respondent

4. **Snyder**, age 66, is a resident of Lakewood, NJ. Snyder was chief administrative officer of TWCO from 1999 until December 31, 2002, and he has served as a consultant to TWCO between May 14, 2004 and the present. During 2002, Snyder was the de facto chief compliance officer of TWCO. At all relevant times, Snyder was associated with TWCO. Snyder holds or has held Series 1, 3, 4, 5, 7, 8, 12, 15, 24, 40, 53, 55, 63, and 65 licenses.

#### Related Entity

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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.

5. **TWCO**, based in New York, New York, was at all relevant times a broker-dealer registered with the Commission.

### **Market Timing**

6. Market timing includes (a) frequent buying and selling of shares of the same mutual fund or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because it can dilute the value of their shares. Market timing can also disrupt the management of the mutual fund's investment portfolio and cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling of shares by the market timer.

### **Snyder Participated in TWCO's Deception of Mutual Funds That Sought To Curtail Market Timing**

7. In March 2001, as TWCO began large-scale market timing for its customers, mutual fund complexes began notifying TWCO that the funds restricted or prohibited such transactions. For example, on March 16, 2001, a fund complex wrote Christian to warn him about excessive trading by customer accounts in one of the complex's mutual funds. The letter explained that excessive trading could hurt the mutual fund's performance and that the fund's prospectus therefore reserved to the fund complex the right to refuse an exchange request if there were more than two exchanges from the same fund in any three-month period. The letter notified Christian that "exchange activities in your client's account have become excessive and we are writing you in an effort to have you and your clients adhere to the guidelines stated in our Prospectus," and warned that further excessive trading would result in a trading freeze in the accounts.

8. In total, during the period March 2001 through April 2003, TWCO, Wilson, and Christian received 307 "kick out" letters from 40 mutual fund families that addressed trading activity in 113 accounts.

9. In response, Wilson and Christian attempted to deceive mutual fund companies and evade their restrictions. Wilson had learned many of these techniques from his hedge fund customers while Wilson was working at other broker-dealers. Wilson explained these techniques to Christian, and directed him to employ them.

10. Based on Wilson's instructions, Christian opened multiple accounts for TWCO's market timing customers and entered transactions using one of numerous RR numbers. Christian did this because he understood that mutual fund companies would be less likely to detect market timing by a customer if the customer's trades occurred in numerous accounts with different account numbers, account names, or RR identification numbers.

11. More specifically, TWCO "cloned" accounts to evade mutual funds' restrictions. For example, a fund complex sent a letter to TWCO on February 22, 2002 concerning account number 70087, an account that TWCO maintained for Hedge Fund A, warning that the account

was approaching the limit on exchanges. On March 4, 2002, Christian opened two new accounts, each with a new account number (70089 and 70110), for the same entity, and two days later entered a market timing trade in one of the mutual fund complex's mutual funds. Similarly, on June 4, 2002, the same fund complex sent to TWCO a letter imposing restrictions on trading by account number 70104, an account that TWCO maintained for Hedge Fund B. On June 7, 2002, Christian opened a new account for the same entity with a new account number (70139), and less than three weeks later began trading the fund complex's mutual funds using the new account.

12. Consistent with this deceptive practice, TWCO opened a total of 140 accounts for eleven institutional customers. These included 68 accounts for its customer Hedge Fund A; 35 accounts for Hedge Fund B; nine accounts for Hedge Fund C; 15 accounts for Hedge Fund D; and five accounts for Hedge Fund E. Christian prepared the new account forms, which he then submitted to Snyder or others for approval and signature.

13. Christian, assisted by Snyder and/or others, also established 16 different RR identification numbers at TWCO for use in mutual fund trading, as a means of evading restrictions imposed by mutual funds that tracked excessive trading through RR numbers.

14. Snyder supervised Wilson and Christian during much of the time period that TWCO engaged in deceptive market timing. Snyder received numerous warning or kick out letters from mutual funds. Snyder received a number of these letters from funds during the approximately seven-month period that he acted as chief compliance officer in addition to serving as chief administrative officer. Despite receiving these letters, Snyder failed to act to stop Wilson and Christian from market timing as the funds requested.

15. During the period he was chief administrative officer, Snyder was responsible for obtaining RR identification numbers for TWCO RRs by calling B of A and getting numbers assigned. Snyder obtained numerous RR ID numbers for Wilson and Christian, which they then used to engage in deceptive market timing.

16. Snyder also signed numerous account opening forms as the firm's principal, including during the period he was serving as TWCO's chief compliance officer. This enabled TWCO to create duplicate accounts for customers and continue to market time mutual funds without the funds' knowledge. For instance, between June 25 and June 29, 2001, Snyder signed new account forms to create four accounts for Hedge Fund A, and on August 30, 2001, he signed new account forms to create an additional five accounts for Hedge Fund A.

17. Further, on at least one occasion Snyder misrepresented the purpose of mutual fund trades to a representative of a mutual fund complex. The representative of the mutual fund complex asked Snyder if he knew who were the TWCO RRs attached to accounts that had recently made fourteen mutual fund trades worth \$500,000 each. Snyder responded that it was probably a "house account." When the representative asked who handled those accounts, Snyder responded that he did. In fact, Snyder knew that the RRs attached to the trades were Wilson and Christian, who were using a so-called "house account" to conceal their identities and thus to evade the mutual fund complex's restrictions on trading. The representative of the mutual fund complex then

informed Snyder that there was a potential problem with the accounts because they appeared to be set up for market timing. Although Snyder knew that all of Wilson's and Christian's business related to market timing of mutual funds, Snyder falsely stated that, to his knowledge, the accounts were not being used for market timing.

### **Violations**

18. By virtue of the conduct of its officers and employees as discussed above, TWCO violated, and Snyder aided and abetted and caused violations of, Section 15(c) of the Exchange Act and Rule 10b-3 thereunder. Section 15(c) of the Exchange Act and Rules 10b-3 thereunder prohibit fraudulent conduct by brokers or dealers in connection with the purchase or sale of securities. TWCO violated Section 15(c) of the Exchange Act and Rule 10b-3 when TWCO and its RRs misrepresented and concealed the identities of TWCO's RRs and customers, as well as the nature of their customers' market timing activity, from the mutual funds. Snyder substantially assisted this violation. Snyder received numerous warning or kick out letters from mutual funds requesting TWCO to stop market timing, but Snyder did not stop the market timing as the funds requested. Instead, Snyder signed numerous account opening forms for TWCO and assisted in procuring multiple RR numbers for Wilson and Christian. Wilson and Christian then used the multiple RR numbers and accounts to market time mutual funds. After at least one mutual fund questioned whether certain trades were market timing trades, Snyder falsely told a representative of the mutual fund that money invested at the mutual fund belonged to a TWCO house account and that the trades were not market timing trades. Snyder was generally aware that his conduct was wrongful.

19. As a result of the conduct described above, TWCO, Wilson, Christian, and their customers violated, and Snyder willfully aided and abetted and caused violations of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Section 10(b) of the Exchange Act and Rule 10b-5 prohibit fraudulent practices in connection with the purchase or sale of securities. Among other things, TWCO, Wilson, Christian, and their customers engaged in deceptive market timing. Snyder and others substantially assisted this conduct. For example, Snyder received numerous warning or kick out letters from mutual funds, but Snyder failed to stop the market timing as the funds requested. Moreover, Snyder created multiple RR numbers for Wilson and Christian. Snyder also signed numerous account opening forms for TWCO. Wilson and Christian then used the multiple RR numbers and accounts to deceive mutual funds about the identity of their customers in order to market time mutual funds. Additionally, after at least one mutual fund contacted Snyder and asked if particular trading was market timing, Snyder falsely told a representative of the mutual fund that money invested at the mutual fund belonged to a TWCO house account. Snyder was generally aware that his conduct was wrongful.

### **Undertakings**

20. 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 Respondent's counsel, and be served by mail or facsimile.

#### IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

- A. Respondent Snyder cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- B. Respondent Snyder cease and desist from causing any violations and any future violations of Section 15(c) of the Exchange Act and Rule 10b-3 thereunder;
- C. Respondent Snyder be, and hereby is barred from association with any broker or dealer, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;
- D. 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

E. It is further ordered that Respondent shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission. 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, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Jerome Snyder 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 Helene Glotzer, Associate Regional Director, Securities and Exchange Commission, New York Regional Office, 3 World Financial Center, New York, NY 10281.

By the Commission.

Nancy A. Morris  
Secretary