

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 55322 / February 21, 2007**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2592 / February 21, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12570**

**In the Matter of**

**MICHAEL G. VELASCO,**

**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 Michael G. Velasco (“Velasco” 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, and the findings contained in Sections III.1 and III.2 below, 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 that:

1. Velasco, age 45, is a resident of Basking Ridge, New Jersey. From 2001 through January 2004, Velasco was employed as a registered representative at a branch office of Deutsche Bank Securities, Inc. (DBSI), a registered broker-dealer and investment adviser, located in New York, New York. Velasco was registered with DBSI as a general securities representative. During the relevant period, Velasco was a person associated with a broker or dealer and investment adviser.

2. On January 26, 2007, a final judgment was entered by consent against Velasco, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Michael G. Velasco, Civil Action Number 06-CV-15345 (WHP), in the United States District Court for the Southern District of New York.

3. The Commission's Complaint alleged the following. From approximately March 2003 through September 2003, Velasco engaged in deceptive practices to circumvent mutual funds' restrictions on his market timing customers. For example, various mutual funds identified Velasco's customers as market timers, and then rejected the customers' trades. In response, Velasco opened new accounts for the customers, who then used the new accounts to continue market timing the same mutual funds that had previously rejected the customers' trades. Through this conduct, Velasco concealed the true identity of his customers and misled mutual funds into believing that the subsequent trades were for different DBSI customers whose trading had not been blocked. Velasco executed numerous market timing trades using deceptive means. Mutual funds would have rejected these trades had they known Velasco's customers' true identities or trading strategies.

### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Velasco be, and hereby is barred from association with any broker or dealer, with the right to reapply for association after 2 years to the appropriate self-regulatory organization, or if there is none, to the Commission;

Pursuant to Section 203(f) of the Advisers Act, that Respondent Velasco be, and hereby is barred from association with any investment adviser, with the right to reapply for association after 2 years to the appropriate self-regulatory organization, or if there is none, to the Commission; and

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.

By the Commission.

Nancy M. Morris  
Secretary