

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67118 / June 5, 2012**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3413 / June 5, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14906**

**In the Matter of**

**CRAIG KUGEL,**

**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  
AND NOTICE OF HEARING**

**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 Craig Kugel (“Kugel,” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. Kugel, age 37, was employed by Bernard L. Madoff Investment Securities LLC (“BMIS”) from approximately 2001 until December 2008. BMIS registered with the Commission

as a broker-dealer in 1960 and as an investment adviser in August 2006, and remained registered as such until at least December 2008. For at least a portion of the time in which he engaged in the conduct underlying the criminal information described below, Kugel was associated with BMIS, and was responsible for or assisted in, among other things, budget forecasting for BMIS's proprietary trading and market-making operations, the administration of BMIS's health plan, and tasks associated with BMIS's retirement plan.

**B. ENTRY OF RESPONDENT'S CRIMINAL CONVICTION**

2. On June 5, 2012, Kugel pled guilty to, among other things, one count of Conspiracy to 1) Obstruct or Impede the Lawful Government Functions of the Internal Revenue Service, and to 2) Falsify Statements in Relation to Documents Required by ERISA; one count of Making False Statements in Relation to Documents Required by ERISA; and three counts of Subscribing to a False U.S. Individual Income Tax Return (the "Criminal Counts") before the United States District Court for the Southern District of New York, in United States v. Craig Kugel, 10 Cr. 228 (LTS). The cumulative maximum sentence for the Criminal Counts is 19 years imprisonment. As of the date of this order, Kugel has not been sentenced.

3. The counts of the criminal information to which Kugel pled guilty alleged, among other things, that from at least in or about 2003 through 2008, Kugel was aware that there were individuals on BMIS's payroll who did not work for the firm but who nevertheless received salaries and benefits. Despite this knowledge, Kugel submitted to the United States Department of Labor fraudulent forms that included a number of fake employees who in fact did not work at BMIS. The information also alleged that Kugel subscribed to several U.S. Individual Income Tax Returns that falsely omitted income that Kugel was not entitled to omit.

**III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate, in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act; and

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

**IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy  
Secretary