

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 53845 / May 19, 2006**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2516 / May 19, 2006**

**Administrative Proceeding**  
**File No. 3-12299**

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**In the Matter of**

**Paul F. Coughlin,**

**Respondent.**

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**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 Paul F. Coughlin (“Respondent” or “Coughlin”).

**II.**

In anticipation of the institution of these proceedings, Coughlin has submitted an Offer of Settlement (“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 Coughlin, the subject matter of these proceedings, and the finding contained in Section III.B below, which are admitted, Coughlin 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:

A. Coughlin, age 34, is a resident of New York, New York. From December 1993 through December 9, 2005, Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Merrill Lynch"), a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act and an investment adviser registered with the Commission pursuant to Section 203(c) of the Advisers Act, employed Coughlin as a sales assistant and later as a registered representative in New York City. In connection with his employment, Coughlin held Series 7, Series 63, and Series 65 licenses.

B. On March 7, 2006, Coughlin pleaded guilty to conspiracy to commit securities fraud in violation of 18 U.S.C. § 371, a felony. *United States v. Coughlin*, Cr. No. 06-0120 (ILG), United States District Court for the Eastern District of New York.

C. The count of the criminal information to which Coughlin pleaded guilty alleged, inter alia, the following: Between October 2003 and approximately February 2004, while employed by Merrill Lynch as a registered representative, Coughlin conspired to carry out a fraudulent scheme whereby Coughlin furnished the Watley day traders with material, non-public information concerning large orders to purchase and sell securities, which had been broadcast over Merrill Lynch's squawk box, a loudspeaker connected to an intercom system that is used to broadcast market-related information to other employees within that firm. The information further alleged, inter alia, that Coughlin furnished such information in violation of a fiduciary duty and other duties of trust of and confidence that Coughlin owed to Merrill Lynch and its customers; that Coughlin furnished the information so that the Watley day traders could execute trades in the same securities, in anticipation of the movement in price that the larger traders were likely to cause; and that Coughlin profited from the fraudulent scheme by accepting bribes from one of the Watley day traders.

### IV.

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

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Coughlin be, and hereby is, barred from association with any broker or dealer or with any investment adviser.

Any reapplication for association by Coughlin 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 Coughlin, 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.

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

Nancy M. Morris  
Secretary