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## **State Permanently Bars Three Securities Brokers for Market Timing Violations and Assesses \$1.15 Million in Civil Penalties**

NEWARK – The New Jersey Bureau of Securities has revoked the registrations of three broker-dealers and permanently barred each from working in the securities industry after finding each had engaged in market timing of trades in mutual funds in violation of New Jersey’s Securities Laws.

In addition, Christopher Chung, Kevin Brunnock and William Savino will collectively pay \$1.15 million in civil penalties, under terms of an administrative consent order.

The firms that employed these three individuals, UBS Financial Services and Merrill Lynch, previously paid the Bureau of Securities \$24.75 million and \$10 million in penalties respectively for failure to properly supervise them.

“We’re holding both the employers and their employees accountable when securities laws are broken and professional standards of conduct are violated,” Attorney General Anne Milgram said. “The hard-earned money of investors was put at unnecessary risk by the illegal actions of these individuals.”

Market timing involves making frequent trades into and out of mutual funds to take advantage of market fluctuations. Most funds have policies against market timing, which harms long-term investors by (1) allowing the market timer to siphon off short-term profits and dilute the value of the fund, (2) increasing transactional costs of the fund, and (3) making the fund more difficult to manage.

“Market timing hurts all mutual fund investors. Market timers seek to only profit themselves, at the cost of all other investors in the mutual fund,” said Amy Kopleton, Acting Chief of the Bureau of Securities.

While employed at UBS Financial Services in 2001, Chung and Savino worked as a team to provide investment services to hedge fund Millennium Partners, L.P., with Brunnock later joining them.

The three men engaged in market timing and tried to hide their trading activities. Even after their market timing trades were discovered, with at least 150 stop letters issued from mutual funds and nearly 1,000 attempted trades rejected, Chung, Brunnock and Savino continued to engage in market timing. They used multiple accounts, financial advisor numbers and office branch codes in deliberate attempts to conceal their activities.

Chung, Brunnock and Savino left UBS Financial Services and went to work at Merrill Lynch in 2002, bringing the Millennium account with them. They continued to engage in market timing and again attempted to hide their activities. They also avoided paying charges that mutual funds assess on shares held for short periods of time by transferring shares between accounts before selling the shares.

Deputy Attorneys General Megan Harris, Anna Lascurain, Victoria Manning and Joshua Rabinowitz represented the state in this matter. The investigation was conducted by former Bureau of Securities' investigator Richard Barry.

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