



## SEC Charges Ritchie Capital Management, CEO and Other Employees for Illegal Late Trading Scheme

**FOR IMMEDIATE RELEASE  
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### **Chicago-Area Hedge Fund Adviser to Pay \$40 Million in Settlement**

*Washington D.C., Feb. 5, 2008* — The Securities and Exchange Commission today announced a settled enforcement action against a hedge fund, its investment adviser, its founder and CEO, and two employees for their roles in an illegal late trading scheme.

The SEC charged hedge fund Ritchie Multi-Strategy Global Trading Ltd. and its Chicago-based adviser — Ritchie Capital Management LLC — as well as Ritchie Capital's founder and CEO A.R. Thane Ritchie and employees Warren DeMaio and Michael Mauriello. They will pay a combined total of approximately \$40 million to settle the SEC's charges. These payments will be distributed to the affected mutual funds.

"This action demonstrates the Commission's willingness to take strong action against hedge fund advisers and their employees when they violate the federal securities laws. Here, respondents did so by engaging in illegal late trading in mutual funds," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement.

Merri Jo Gillette, Director of the SEC's Chicago Regional Office, said, "Ritchie Capital concealed its late trading by receiving pre-4 p.m. time-stamps on its order tickets. The respondents' attempt to cover their tracks by using falsified order tickets merely underscores the egregiousness of the fraudulent scheme and commends the thorough and tenacious investigative work that uncovered it."

The Commission's Order finds that from January 2001 through September 2003, Ritchie Capital engaged in an illegal late trading scheme. Ritchie Capital placed thousands of late trades in mutual fund shares and used post-4 p.m. ET news and market information to make its mutual fund trading decisions while receiving the same day's net asset value for the mutual funds traded. Thane Ritchie approved the use of late trading by Ritchie Capital's mutual fund group and oversaw its performance. DeMaio supervised mutual fund trading at Ritchie Capital and was involved in the development of the late trading strategy. Mauriello was responsible for placing mutual fund late trades with brokers on behalf of Ritchie Capital. Ritchie Capital's post-4 p.m. trading resulted in a profit of approximately \$30 million to the Ritchie Multi-Strategy fund.

The Commission's Order requires Ritchie Multi-Strategy Global Trading Ltd. and Ritchie Capital Management LLC to pay disgorgement, jointly and severally, of \$30 million, and prejudgment interest thereon of approximately \$7.4 million. Ritchie Capital and Ritchie will pay civil penalties, jointly and severally, totaling \$2.5 million. DeMaio will pay \$250,000 in civil penalties. These payments will be distributed to the affected mutual funds.

In addition to the disgorgement and civil penalties, the Commission's Order requires that Ritchie Capital, the Ritchie Multi-Strategy fund, Thane Ritchie and Warren DeMaio cease and desist from committing or causing violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, Section 17(a) of the Securities Act of 1933, and Rule 22c-1 under the Investment Company Act, and that Ritchie Capital be censured and comply with certain undertakings. The Order also requires that Mauriello cease and desist from committing or causing violations of Rule 22c-1 under the Investment Company Act.

All respondents consented to the Commission's Order without admitting or denying the findings. The Commission's action was taken in coordination with the Office of the New York State Attorney General.

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▶ Additional materials: Administrative Proceedings [33-8890](#) and [IC-28141](#)

<http://www.sec.gov/news/press/2008/2008-10.htm>