



Summary order of Denial

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- b. \$75,000 fine; and
  - c. one-month suspension from membership, allied membership, approved person status, and from employment or association in any capacity with any Exchange member or member organization.
2. That the Decision found:
- a. As set forth below, between December 1997 and March 2001, the Respondent improperly effected post-execution allocations with respect to hundred of trades for institutional customers. These delays continued even though he received both a letter of caution and a letter of education from the Firm concerning the impropriety of these delays. As a result of the untimely trade allocations, the Respondent and his institutional customers had inordinate latitude in choosing which accounts would receive the trades and the ability, if they were so inclined, to grant preferential treatment to certain customers or disadvantage other customers. In addition, his improper order handling procedures caused books and records violations.
  - b. During the relevant period, the Respondent and another broker in the Miami branch office jointly serviced accounts for South American institutions and other customers. These customers placed trade orders by contacting the Respondent and/or the other broker, who typically called the Firm's trading desk to place the orders.
  - c. During the relevant period, when these institutional customers purchased certain quantities of securities, they frequently were not prompt in providing the Respondent with specific account information related to the allocation of trades effected on the institutions' behalf.
  - d. Securities and Exchange Commission Regulations 240.17a-3(a)(b) and (7), promulgated pursuant to the Securities and Exchange Act of 1934 (the "1934 Act"), require, in relevant part, that a memorandum of each brokerage order be made, which includes the time of entry and the account for which the order is entered.
  - e. Exchange Rule 440 requires that a member firm organizations make and preserve books and records as the Exchange may prescribe and as prescribed by SEC Regulations 240.17a-3 and 240.17a-4.

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- f. Exchange Rule 410 provides, in pertinent part, that a record of every order transmitted directly or indirectly by such member or organization to the Floor shall include the name and amount of the security, the terms of the order, the time when it was so transmitted, and the time at which a report of execution was received.
- g. The Firm's written policy required brokers to prepare and time stamp an order ticket for customer orders called in by telephone to a trading desk. In addition, under Firm policy, a registered representative may not place an order unless the account name and number of shares for each account are known at the time the order is placed with trading desk. The Firm's policy further required brokers to submit completed telephone order tickets to the operations department within 15 minutes of the telephone order.
- h. The Firm's procedures, as applied in the Miami branch office, were not adequately implemented in order to prevent the improper post-execution allocation of customer trades during the relevant period.
- i. Specifically, during the relevant period, institutional customers serviced by the Respondent regularly did not provide him with any account numbers prior to the time that he placed an institutional order with the trading desk. In such instances, he typically held the order ticket until the institution provided him with account numbers indicating which accounts were to receive the securities.
- j. The practices frequently resulted in the Respondent's trades being allocated to certain customer accounts over two hours, or significantly longer, after the telephone orders were placed with the trading desk.
- k. In January 1998, the Respondent received a letter of caution for failing to enter trade allocations timely for the types of orders described above. Nonetheless, these allocation delays continued during 1998. For example, in October 1998, the Respondent was responsible for approximately 64 late allocations in the Miami branch. In addition, one year later, in January 1999, he was responsible for approximately 69 late allocations and was also responsible for delays in other months in 1999.
- l. In 2000, the following year, there were still significant delayed trade allocations to customer accounts attributable to the Respondent.

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- m. As a result, the Respondent was issued a letter of education, which delineated problems he continued to have with allocation delays and warned him that future violations could result in reversal of commissions and fines. Nonetheless, the problems continued during 2000 and 2001.
  - n. The delays cited above allowed the Respondent and his institutional customers inordinate latitude in choosing which accounts would receive the trades and therefore gave them the ability, if they were so inclined, to grant preferential treatment to certain customers or disadvantage other customers.
  - o. In addition to the improper post trade allocations described above, hundreds of order tickets for which the Respondent was responsible were improperly time stamped, making it impossible to determine the time at which trades were allocated and/or entered with the trading desk.
  - p. As a result, the Respondent failed to make and preserve required records related to the designation and execution of customer orders.
  - q. That by virtue of the foregoing, the Respondent:
    - i. Effected improper post-execution allocation of customer trades, which resulted in ability to grant preferential treatment to certain customers.
    - ii. Caused violations of Exchange Rules 410, 440 and SEC Regulations 240.17a-3 and 17a-4 by failing to make required records relating to designation and execution of customer orders.
3. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be denied if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
4. That the NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

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5. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to denial pursuant to Section 8.E(1)(j) of the Act.

NOW IT IS HEREBY ORDERED THAT:

The Respondent's application for registration as a salesperson in the State of Illinois is DENIED, subject to the further Order of the Secretary of State.

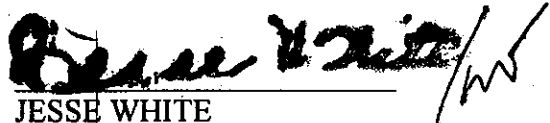
A public hearing will be set within thirty (30) days of the Respondent's filing a written request for hearing with the Secretary of State at 69 west Washington Street, Suite 1220, Chicago, Illinois 60602. Said hearing will be held at the aforesaid address before a Hearing Officer duly designated by the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Order.

YOUR FAILURE TO REQUEST A HEARING WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THIS ORDER SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE A SUFFICIENT BASIS TO MAKE THIS ORDER FINAL.

You are further notified that if you request a hearing that you may be represented by legal counsel, may present evidence; may cross-examine witnesses and otherwise participate. Failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

Delivery of this Order or any subsequent notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 15 day of March 2006.

  
JESSE WHITE  
Secretary of State  
State of Illinois

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