

# Notices to Members

## November 2000

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**INFORMATIONAL**

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## Three Quote Rule

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SEC Approves Proposed Changes To The NASD Three Quote Rule And Related Recordkeeping Requirements;  
**Effective Date:  
November 24, 2000**

**SUGGESTED ROUTING**

*The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.*

- Executive Representatives
- Legal & Compliance
- Operations
- Trading & Market Making

**KEY TOPICS**

- Best Execution
- NASD Rule 2320
- NASD Rule 3110
- Trading

**Executive Summary**

On September 21, 2000, the Securities and Exchange Commission (SEC) approved amendments to National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) Rules 2320(g) and 3110(b), which:

- 1) require that members executing a customer order in a non-Nasdaq<sup>®</sup> security contact and obtain quotations from three dealers (or all dealers if three or fewer) to determine the best inter-dealer market for the security, unless two or more priced quotations are displayed in an inter-dealer quotation system that permits quotation updates on a real-time basis (such as the OTC Bulletin Board<sup>®</sup> (OTCBB) or the electronic pink sheets);
- 2) require that members displaying priced quotations for the same non-Nasdaq security in two or more quotation mediums that permit quotation updates on a real-time basis display the same priced quotations for the security in each quotation medium;
- 3) no longer require that a member indicate on the order ticket for each transaction in a non-Nasdaq security the name of each broker/dealer contacted and the quotations received if two or more priced quotations are displayed and NASD Regulation has access, on a historical basis, to the quotation data; and
- 4) define the terms "inter-dealer quotation system" and "quotation medium" for the purposes of the proposed rule change.<sup>1</sup>

The amendments become effective on November 24, 2000. The amendments to Rules 2320 and 3110 are provided in Attachment A.

**Questions/Further Information**

Questions concerning this *Notice* may be directed to the Legal Section, Market Regulation Department, NASD Regulation, Inc. (NASD Regulation<sup>SM</sup>), at (240) 386-5126; or Stephanie M. Dumont, Associate General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8176.

**Background And Discussion**

Rule 2320(g) (Three Quote Rule) originally was adopted on May 2, 1988,<sup>2</sup> as an amendment to the NASD's best execution interpretation. As originally adopted, the Three Quote Rule required members that execute transactions in non-Nasdaq securities on behalf of customers to contact a minimum of three dealers (or all dealers if three or fewer) and obtain quotations in determining the best inter-dealer market.<sup>3</sup>

The Three Quote Rule is intended to create a standard to help ensure that members fulfill their best execution responsibilities to customers in non-Nasdaq securities, particularly in transactions involving relatively illiquid securities with non-transparent prices. The Three Quote Rule is a minimum standard, and compliance with the rule, in and of itself, does not mean a member has met its best execution obligations. Best execution requires each member to use reasonable diligence to ascertain the best inter-dealer market for a security, and to buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.<sup>4</sup>

Since the adoption of the Three Quote Rule, the market for non-Nasdaq securities has changed dramatically. For example, from 1996 to 1999, the OTCBB has experienced growth of 72 percent in market maker positions, 421 percent in average daily share volume, and 65 percent in average daily dollar volume. Because of the rapid growth in the market for non-Nasdaq securities, in some instances, the existing Three Quote Rule has hindered, rather than furthered, investor protection by causing significant delays in obtaining executions of customer orders.

### **Rule Amendments**

Accordingly, the amendments to Rule 2320(g) will require members to obtain quotations from three dealers (or all dealers if three or fewer) only when there are fewer than two priced quotations displayed in an inter-dealer quotation system that permits quotation updates on a real-time basis (such as the OTCBB or the electronic pink sheets). The amendments define the term "inter-dealer quotation system" as any system of general circulation to broker/dealers that regularly disseminates quotations of identified broker/dealers. Quotations by the same dealer in more than one inter-dealer quotation system are considered one quotation for the purposes of this rule. As with the existing rule, the amendments do not limit or change a member's general best execution obligations.

In addition, Rule 3110(b)(2) currently requires that members indicate on the order ticket for each transaction in a non-Nasdaq security the name of each dealer

contacted and the quotations received to determine the best inter-dealer market. Under the amendments, members are not required to note such information on the order ticket if two or more priced quotations are displayed in an inter-dealer quotation system and NASD Regulation has access to the quotation data. As a result, members are relieved of certain recordkeeping burdens in which NASD Regulation can validate and confirm compliance with applicable requirements directly through its internal historical data. Currently, NASD Regulation has access to such data with respect to the OTCBB securities; however, it does not have access to historical quotation data for the electronic pink sheets.<sup>5</sup>

Finally, the amendments require members that display priced quotations for the same security in two or more quotation mediums that permit quotation updates on a real-time basis to display the same priced quotations in each system. This obligation exists even where the quotation displayed represents a customer limit order. "Quotation medium" is defined as any inter-dealer quotation system or any publication or electronic communications network (ECN) or other device that is used by broker/dealers to make known to others their interest in transactions in any security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy or sell.

NASD Regulation believes that members that display different priced quotations in different quotation mediums for the same security can be confusing and misleading to other market

participants and, more importantly, to public investors. Moreover, requiring that members display consistent priced quotations in multiple quotation mediums will enhance the ability of other market participants to ascertain the best inter-dealer market for a security.

### **Endnotes**

<sup>1</sup> See Securities Exchange Act Release No. 43319 (September 21, 2000), 65 Fed. Reg. 58589 (September 29, 2000) (File No. SR-NASD-00-20).

<sup>2</sup> See Exchange Act Release No. 25637 (May 2, 1988).

<sup>3</sup> If three firm quotations are displayed, a broker/dealer is not required to call the three market makers to verify the firm quotations that are displayed on the screen. A broker/dealer need only note on the order ticket the identity of the broker/dealers and the firm quotations displayed.

<sup>4</sup> See NASD Rule 2320(a).

<sup>5</sup> NASD Regulation has filed a proposed rule change with the SEC that generally would require members to record their quotation data in the electronic pink sheets or similar quotation systems and report such data to NASD Regulation. See Exchange Act Release No. 43367 (September 27, 2000), 65 Fed. Reg. 59482 (October 5, 2000) (File No. SR-NASD-00-42). Where priced quotations are displayed in an inter-dealer quotation system for which NASD Regulation does not have access to historical quotation information, although the member is not required under Rule 2320(g) to call the market maker to verify the firm quotation that is displayed, the member is required to note on the order ticket the identity of the broker/dealer, the firm priced quotation displayed, and the inter-dealer quotation system in which the quotation was displayed.

## ATTACHMENT A

### Text Of Rule Changes

*Note: New language is underlined; deletions are in brackets.*

#### **Rule 2320. Best Execution and Interpositioning**

(a) through (f) No Change

(g)(1) Unless two or more priced quotations for a non-Nasdaq security (as defined in the Rule 6700 Series) are displayed in an inter-dealer quotation system that permits quotation updates on a real-time basis, [I]in any transaction for or with a customer pertaining to the execution of an order in a non-Nasdaq security [(as defined in the Rule 6700 Series)], a member or person associated with a member, shall contact and obtain quotations from three dealers (or all dealers if three or less) to determine the best inter-dealer market for the subject security.

(2) Members that display priced quotations on a real-time basis for a non-Nasdaq security in two or more quotation mediums that permit quotation updates on a real-time basis must display the same priced quotations for the security in each medium.

(3) For purposes of this paragraph, the term "inter-dealer quotation system" means any system of general circulation to brokers or dealers that regularly disseminates quotations of identified brokers or dealers.

(4) For purposes of this paragraph, the term "quotation medium" means any inter-dealer quotation system or any publication or electronic communications network or other device that is used by brokers or dealers to make known to others their interest in transactions in any security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy or sell.

(5) Pursuant to the Rule 9600 Series, the staff, for good cause shown, after taking into consideration all relevant factors, may exempt any transaction or classes of transactions, either unconditionally or on specified terms, from any or all of the provisions of this paragraph if it determines that such exemption is consistent with the purpose of this Rule, the protection of investors, and the public interest.

\* \* \*

#### **Rule 3110. Books and Records**

(a) No Change

(b)(1) No Change

(b)(2) A person associated with a member shall indicate on the memorandum for each transaction in a non-Nasdaq security, as that term is defined in the Rule 6700 Series, the name of each dealer contacted and the quotations received to determine the best inter-dealer market; however, the requirements of this subparagraph shall not apply if two or more priced quotations for the security are displayed in an inter-dealer quotation system, as defined in Rule 2320(g), that permits quotation updates on a real-time basis for which NASD Regulation has access to historical quotation information.

\* \* \*

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**NASD**® INSTITUTE FOR  
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**INFORMATIONAL****Riskless Principal Trade Reporting**

Nasdaq Adopts Alternative Approach For Complying With Riskless Principal Trade-Reporting Rules And Issues Net Trading Interpretation; Riskless Principal Trade-Reporting Rules Will Be Implemented On February 1, 2001

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- Continuing Education/Testing/Qualifications
- Institutional
- Legal & Compliance
- Operations
- Senior Management
- Systems
- Technology
- Trading & Market Making
- Training

**KEY TOPICS**

- Riskless Principal
- Trade Reporting

**Executive Summary**

The Nasdaq Stock Market, Inc. (Nasdaq®) has adopted an alternative approach for reporting riskless principal transactions in Nasdaq, over-the-counter (OTC), and exchange-listed securities. Nasdaq also has adopted an interpretation with respect to the use of negative consent letters for net trading of Nasdaq and OTC securities. The Riskless Principal Trade-Reporting Rules will be implemented on February 1, 2001. **NOTE:** This *Notice* should be read in conjunction with *Notices to Members 99-65* and *99-66*.

Amendments to the Riskless Principal Trade-Reporting Rules are contained in Attachment A.

**Questions/Further Information**

Questions regarding this *Notice* may be directed to the Nasdaq Office of General Counsel at (202) 728-8294; Nasdaq MarketWatch at (800) 211-4953; and the Legal Section, Market Regulation Department, NASD Regulation, Inc. (NASD Regulation<sup>SM</sup>), at (240) 386-5126.

**Background**

On March 24, 1999 and July 8, 1999, the Securities and Exchange Commission (SEC) approved proposals to amend the National Association of Securities Dealers, Inc. (NASD®) trade-reporting rules relating to riskless principal transactions (Riskless Principal Trade-Reporting Rules or Rules) in Nasdaq National Market®, Nasdaq SmallCap Market<sup>SM</sup>, and Nasdaq convertible debt securities (Nasdaq securities); non-Nasdaq OTC equity securities, including OTC Bulletin Board® and pink sheet securities (OTC securities); and exchange-listed securities traded in the

Nasdaq InterMarket<sup>SM</sup> (exchange-listed securities).<sup>1</sup> Under the new Riskless Principal Trade-Reporting Rules, riskless principal transactions effected by market makers must now be reported as one transaction, as was previously the case for riskless principal transactions effected by non-market makers. Specifically, a “riskless” principal transaction is one in which an NASD member, after having received an order to buy (sell) a security, purchases (sells) the security as principal at the same price to satisfy the order to buy (sell). The Rules require a firm to report a riskless principal trade as one transaction.

**Original Approach To Riskless Principal Trade Reporting**

*Notices to Members 99-65* (discussing the trade-reporting rules for riskless principal transactions effected by market makers in Nasdaq and OTC securities) and *99-66* (discussing, among other things, the trade-reporting rules for riskless principal transactions in exchange-listed securities occurring in the Nasdaq InterMarket) were published in August 1999. The *Notices* provided guidance on compliance with the new Rules, and stated that market makers must report the initial leg of a riskless principal transaction to the Automated Confirmation Transaction Service<sup>SM</sup> (ACT<sup>SM</sup>) and mark the ACT report “riskless principal.” The Rules also provide that market makers must not report to ACT the offsetting transaction with the customer. This is the original approach to riskless principal trade reporting by market makers.

After the *Notices* were issued, a number of NASD member firms raised concerns about trade-reporting problems presented by the Rules.<sup>2</sup> The firms represented

that the approach to riskless principal trade reporting by market makers described in *Notices to Members 99-65* and *99-66*, which requires market makers to report the first leg of a riskless principal transaction to ACT and mark the report "riskless principal," would be problematic and would result in inaccurate and/or late reporting of the initial leg of a riskless principal transaction. Specifically, the firms identified the following problems:

- Trades reported by a third party (e.g., an electronic communications network) on behalf of a broker/dealer cannot be properly marked "riskless principal" because market makers do not know whether a particular order will trigger a riskless principal execution at the time the broker/dealer sends the order for execution.
- To the extent Small Order Execution System<sup>SM</sup> (SOES<sup>SM</sup>) and SelectNet<sup>®</sup> executions trigger a riskless principal execution (for example, as a result of Manning limit order protection), the principal capacity assumed by Nasdaq's systems will be inaccurate.
- Systemic delay would be introduced into the trade-reporting process for trades executed within a market maker's own trading system because the system would be required to determine if Manning protection is owed to any orders on the books before the first trade is reported as riskless principal.

The implementation date of the Riskless Principal Trade-Reporting Rules was delayed several times to provide Nasdaq with an opportunity to work with the firms to address these issues.

### **Alternative Approach To Riskless Principal Trade Reporting**

After reviewing concerns raised by the firms, and consultation with the SEC and NASD Regulation, Nasdaq has adopted a different method for reporting riskless principal trades that can be used as an alternative to the original approach set forth in the *Notices*.<sup>3</sup> This new approach can be utilized by both market makers, which for the first time must adhere to Riskless Principal Trade-Reporting Rules, and by non-market makers, which have been subject to the Rules for some time.

Under the alternative approach, member firms may report a riskless principal transaction by submitting either one or two reports to ACT. The first report would be required only if the member is the party with a reporting obligation under the relevant Nasdaq trade-reporting rule. The second report, representing the offsetting, "riskless" portion of the transaction with the customer, must be submitted by all members electing to use the alternative method for riskless principal trade reporting, regardless of whether the firm has a reporting obligation, when the firm effects the offsetting trade with its customer. This report will be either a non-tape, non-clearing report (if there is no need to submit clearing information to ACT) or a clearing-only report.<sup>4</sup> In either case, the report must be marked with a capacity indicator of "riskless principal." Because this is not a last sale report, it does not have to be submitted within 90 seconds after the transaction is executed, but should be submitted as soon as practicable after the trade is executed but no later than by the time ACT closes for the trading day (currently 6:30 p.m., Eastern Time).

The effect of the new rule can be illustrated by the following examples.

#### **Example 1**

A market maker (MM1) holds a customer limit order to sell 1,000 shares of ABCD at \$10 that is displayed in its quote. MM1 sells 1,000 shares to a second market maker (MM2) at \$10. (MM2's bid represents proprietary interest, not a customer order.) When there is a trade between two market makers, the Nasdaq trade-reporting rules require the member representing the sell side to report the transaction.<sup>5</sup> MM1, the seller in this transaction, reports the sale of 1,000 shares by submitting a last sale report to ACT marked "principal." MM1 then fills its customer order for 1,000 shares. Under the new alternative approach, MM1 would submit either one of the two following reports marked "riskless principal" to ACT for the offsetting, riskless portion of the transaction:

- a clearing-only report if necessary to clear the transaction with the customer; or
- a non-tape, non-clearing report (if a clearing entry is not necessary because, for example, the trade is internalized).

This submission is not entered for reporting purposes and thus there will be no public trade report for this leg of the transaction. Because MM2 did not enter into a riskless principal transaction, MM2 does not have an obligation to submit the second report.

#### **Example 2**

Both MM1 and MM2 hold customer limit orders: MM1 holds a marketable customer limit order to

sell 1,000 shares of ABCD and MM2 holds a customer limit order to buy 1,000 shares of ABCD, both of which are displayed in the market makers' quotes. MM1 sells 1,000 shares to MM2 at \$10. MM1 and MM2 then fill both of their customer orders. MM1 submits two reports to ACT—a last sale report and either a clearing-only report or a non-tape, non-clearing report—as described above. MM2 does not have a reporting obligation under the Nasdaq trade-reporting rules because it bought 1,000 shares from MM1. Therefore, it does not submit a last sale report for the transaction with MM1. However, for the offsetting transaction with its customer, MM2 is obligated to submit to ACT either a clearing-only report or a non-tape, non-clearing report marked “riskless principal.”

### **Firm's Discretion On Which Approach To Use**

Firms can use either the original approach described in *Notices to Members 99-65* and *99-66* or this new alternative approach for reporting riskless principal trades. Also, firms can use either approach for all trades or on a trade-by-trade basis. While the new alternative approach is voluntary, firms that elect not to use this approach must comply with the original approach or they will be in violation of the trade-reporting rules. **NOTE:** The alternative approach is available for transactions in Nasdaq and OTC securities, and for transactions in exchange-listed securities executed off an exchange, but is not available for transactions in exchange-listed securities executed on an exchange, which are reported by the exchange.

All necessary enhancements have been made to ACT to enable firms to report riskless principal trades according to the new Rules.<sup>6</sup> No

ACT fee will be assessed for the non-tape, non-clearing report. An ACT fee will be assessed for the clearing-only report, however, because the firm is receiving clearing services in connection with the report.

*Notices to Members 99-65* and *99-66* provide useful guidance on riskless principal trade reporting, including how to determine whether transactions are at the “same price”; what constitutes a “riskless” transaction in whole or in part; Order Audit Trail System compliance; and SEC Rule 10b-10 compliance. This guidance is valid whether a firm uses the original approach or the alternative approach to riskless principal trade reporting. Firms should review these *Notices* in their entirety prior to the implementation of the new Rules.

### **Net Trading Interpretation—Customer Negative Consent Letters**

Nasdaq also has adopted an interpretation regarding a statement from *Notice to Members 99-65* with respect to net trading of Nasdaq and OTC securities.<sup>7</sup> *Notice to Members 99-65* announced SEC approval of the Riskless Principal Trade-Reporting Rules and included an attachment containing questions and answers regarding the rule change. A number of the questions and answers in the *Notice* discusses net trading. For example, question and answer 4 states the following:

**How does a member determine whether transactions are at the “same price”?**

[If] a member is working an order for an institutional account . . . or of a block size

. . . and the member finds the other side of the order, the presumption will be that the orders will be matched off at the same price (exclusive of any markup or markdown, commission equivalent, or other fee) and reported as riskless principal, unless the customer has specifically requested that the order be traded on a net basis at a different price.

Questions and answers 3, 6, 7, 19, and 20 also address net trading.

After *Notice to Members 99-65* was issued, a number of firms raised concerns about the stated presumption that members, which are working an order for an institutional customer and find the other side, will “match off” those orders at the same price. The firms were concerned that the presumption did not reflect the fact that institutional customers have historically expected firms to trade with them on a net basis. The firms also were concerned that such a presumption would place them in the difficult position of having to rebut it on nearly every institutional trade. The firms requested guidance on how to document this understanding, and asked for permission to use “negative consent” letters, citing difficulties with obtaining affirmative consent from customers.

After thorough consideration of this issue, and after consultation with both the SEC and NASD Regulation, Nasdaq has concluded that firms may use negative consent letters to evidence a customer's request to trade on a net basis, as long as the letter meets the following conditions.

- A firm using a negative consent letter to demonstrate a customer request to trade on a

net basis should send a letter to the customer clearly disclosing the terms and conditions for handling the customer's orders.

- Only one letter must be sent to each customer; a letter is not required for each transaction.
- The customer must be provided with a meaningful opportunity to object to any statements in the letter.
- If no objection is received, the firm may reasonably conclude that the customer has consented to the terms and conditions in the letter and has requested that the firm trade for the customer on a net basis.

### Technical Changes To Rules

Nasdaq also has made certain technical changes to the trade-reporting rules. Nasdaq has amended Rule 6130(d)(7) to explicitly include "riskless principal" as a symbol on an ACT trade report, in addition to the principal and agent capacity indicators. The riskless principal symbol already is utilized in Nasdaq systems and in ACT trade reports, so this is not a new requirement; it is merely a technical change that adds this capacity indicator to the current list of symbols in the rule.

Nasdaq also has made technical changes to Rule 6420(d)(3)(B), the trade-reporting rule for exchange-listed securities, to conform the language in that rule to language in Rules 4632(d)(3)(B), 4642(d)(3)(B), 4652(d)(3)(B), and 6620(d)(3)(B),

the trade-reporting rules for Nasdaq and OTC securities. In particular, Nasdaq proposes to delete language from Rule 6420(d)(3)(B) to ensure consistent application of the Riskless Principal Trade-Reporting Rules to any order received by a member, regardless of the person or entity from which it was received. Specifically, while the current rule refers to orders received from a "customer," the proposed rule simply refers to "an order." Thus, a transaction can be defined as riskless when a market maker is holding an order from a customer, another member, the customer of another member, or any other entity, including non-member broker/dealers. Furthermore, Nasdaq has amended the text of the rule to more clearly provide that riskless principal trades are reported exclusive of any fee, not just markups and markdowns. Identical revisions previously were made to Rules 4632(d)(3)(B), 4642(d)(3)(B), 4652(d)(3)(B), and 6620(d)(3)(B).

### Implementation Date

The Riskless Principal Trade-Reporting Rules, both the original and the alternative approach, will be implemented on February 1, 2001. At that time, NASD firms that effect riskless principal transactions in Nasdaq, OTC, and exchange-listed securities must report the transaction in conformance with the new Rules, using either the original approach or the alternative approach, or will be in violation of the trade-reporting rules.

### Endnotes

<sup>1</sup> See Securities Exchange Act Release Nos. 41208 (Mar. 24, 1999), 64 Fed. Reg. 15386 (Mar. 31, 1999) (File No. SR-NASD-98-59) and 41606 (July 8, 1999), 64 Fed. Reg. 38226 (July 15, 1999) (File No. SR-NASD-98-08).

<sup>2</sup> See letter to Belinda Blaine, Associate Director, SEC, dated February 18, 2000 from Automated Securities Clearance, Ltd. and the following NASD member firms: Bernard L. Madoff Securities; CIBC World Markets; Credit Suisse First Boston; Deutsche Banc Alex. Brown; Donaldson, Lufkin & Jenrette; Goldman Sachs & Co.; Jefferies & Company, Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; Morgan Stanley Dean Witter; and Salomon Smith Barney Inc.

<sup>3</sup> The SEC announced the effectiveness of this approach in Securities Exchange Act Release No. 43303 (September 19, 2000), 65 Fed. Reg. 57853 (September 26, 2000) (File No. SR-NASD-00-52).

<sup>4</sup> A non-tape, non-clearing report is a new type of ACT report being introduced in conjunction with the implementation of the alternative approach. As discussed below, there are no fees associated with these reports and they are not reported to the public.

<sup>5</sup> See Rules 4632(b), 4642(b), 4652(b), 6420(b), and 6620(b).

<sup>6</sup> See Technical Update dated September 6, 2000, available at: <http://www.nasdaqtrader.com/Trader/News/technicalupdates/090600.stm>.

<sup>7</sup> The SEC announced the effectiveness of this interpretation in Securities Exchange Act Release No. 43103 (August 1, 2000), 65 Fed. Reg. 48774 (August 9, 2000) (File No. SR-NASD-00-44).

**ATTACHMENT A**

**Text Of Rule Changes**

*Note: New language is underlined; deletions are in brackets.*

**Rule 4630. Reporting Transactions in Nasdaq National Market Securities**

**Rule 4632. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

(1) through (3)(A) No Change

(3)(B) Exception. A "riskless" principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must

submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a "riskless principal" capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a "principal" capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

(e) through (f) No Change

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**Rule 4640. Reporting Transactions in Nasdaq SmallCap<sup>SM</sup> Market Securities**

**Rule 4642. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

(1) through (3)(A) No Change

(3)(B) Exception. A "riskless" principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting,

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## NASD Notice to Members 00-79

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“riskless” portion of the transaction, either:

a. a clearing-only report with a capacity indicator of “riskless principal,” if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of “riskless principal,” if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a “riskless principal” capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a “principal” capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a “riskless principal” capacity indicator.

(e) through (f) No Change

\*\*\*\*\*

### **Rule 4650. Reporting Transactions in Nasdaq Convertible Debt Securities**

### **Rule 4652. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

(1) through (3)(A) No Change

(3)(B) Exception. A “riskless” principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting

obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, “riskless” portion of the transaction, either:

a. a clearing-only report with a capacity indicator of “riskless principal,” if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of “riskless principal,” if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a “riskless principal” capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a “principal” capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a “riskless principal” capacity indicator.

(e) through (f) No Change

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**Rule 6000. NASD SYSTEMS AND PROGRAMS**

**Rule 6100. AUTOMATED CONFIRMATION TRANSACTION SERVICE (ACT)**

**Rule 6130. Trade Report Input**

(a) through (c) No Change

(d) Trade Report To Be Input

(7) A symbol indicating whether the trade is as principal, riskless principal, or agent

(e) No Change

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**Rule 6400. REPORTING TRANSACTIONS IN LISTED SECURITIES**

**Rule 6420. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

(1) through (3)(A) No Change

(3)(B) Exception. A "riskless" principal transaction in which a member, after having received [from a customer] an order to buy a security, purchases the security as principal [from another

member or customer] at the same price to satisfy the order to buy or, after having received [from a customer] an order to sell, sells the security as principal [to another member] at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

A riskless principal transaction in which a member purchases or sells the security on an exchange to

satisfy a customer's order will be reported by the exchange and the member shall not report.

Example:

BUY as principal 100 shares from another member at 40 to fill an existing order;

SELL as principal 100 shares to a customer at 40 plus mark-up of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a "riskless principal" capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a "principal" capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

Example:

BUY as principal 100 shares on an exchange at 40 to fill an existing order;

SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50;

DO NOT REPORT (will be reported by exchange).

(e) No Change

\*\*\*\*\*

**Rule 6600. REPORTING TRANSACTIONS IN OVER-THE-COUNTER EQUITY SECURITIES****Rule 6620. Transaction Reporting**

(a) through (c) No Change

(d) Procedures for Reporting Price and Volume

Members which are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

(1) through (3)(A) No Change

(3)(B) Exception. A "riskless" principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee.

Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to ACT:

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to ACT either a single trade report marked with a "riskless principal" capacity indicator or by submitting the following reports:

(1) where required by this Rule, a tape report marked with a "principal" capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

(e) through (f) No Change

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**INFORMATIONAL**

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**Decimalization**

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**Nasdaq Decimalization Testing & Decimalization Implementation Phase-In Plan****SUGGESTED ROUTING**

*The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.*

- Legal & Compliance
- Operations
- Registered Representatives
- Senior Management
- Technology
- Trading & Market Making

**KEY TOPICS**

- Decimalization

**Executive Summary**

Initial plans for Nasdaq® decimalization testing are included in this *Notice to Members*. Also, a summary is provided of the industry critical dates.

**Questions/Further Information**

Questions regarding this *Notice to Members* may be directed to the National Association of Securities Dealers, Inc. (NASD®) Decimalization Program Management Office (DPMO) toll free at: (888) 227-1330 or via e-mail at [decimals@nasd.com](mailto:decimals@nasd.com).

For the most recent decimalization news and developments, visit the NASD Web Site ([www.nasd.com](http://www.nasd.com)) and click on the decimalization link. Additional decimalization information is available on the Securities Industry Association (SIA) Web Site ([www.sia.com](http://www.sia.com)).

**Nasdaq Decimalization Testing**

In accordance with NASD Rule 3420, some market makers and clearing firms must conduct decimalization testing. Selected firms will be notified in December 2000 by the NASD and will be given more information at that time on their testing requirements.

*Point-to-Point* – Limited point-to-point testing will begin mid-December 2000 with full testing beginning January 2001 and continuing through April 6, 2001.

*Extended Point-to-Point* – Testing will take place on January 27 and February 10, 2001. In order to participate, firms will need to successfully complete point-to-point testing and will be required to register at least 48 hours in advance. Testing will be scripted in the morning, and unscripted in the afternoon.

Full testing information will be available by December 1, 2000.

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### NASD & Exchanges' Decimalization Implementation Plan

On July 24, 2000, the national securities exchanges and the NASD submitted a comprehensive phase-in plan for decimal pricing in equity securities and options.

Details of the plan are shown in the table below.

To view the complete plan, visit the Securities and Exchange Commission (SEC) Web Site located at [www.sec.gov](http://www.sec.gov) (<http://www.sec.gov/rules/other/decimalp.htm>).

The SEC has not given final approval to the plan.

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<u>Checkpoint/Phase</u>	<u>Action</u>	<u>Date</u>
Checkpoint I	Pre-Implementation Evaluation	August 15, 2000
Phase I	Limited Exchange-Listed Issues and Options	August 28, 2000
Checkpoint II	Determine Readiness for Additional Exchange-Listed Issues and Options	September 19, 2000
Phase IIA	Additional Exchange-Listed Issues and Options	September 25, 2000
Checkpoint III	Determine Readiness for Full Implementation of Exchange-Listed Issues and/or All Options	November 1, 2000
Phase IIB	Full Conversion Exchange-Listed Issues and/or All Options	November 2000 – April 2001
Checkpoint IV	Limited Nasdaq Issues	March 5, 2001
<b>Phase III</b>	<b>Limited Nasdaq Issues</b>	<b>On or before March 12, 2001</b>
Checkpoint V	Determine Readiness for All Markets, Full Implementation	April 2, 2001
<b>Phase IV</b>	<b>All Markets, Full Implementation</b>	<b>On or before April 9, 2001</b>

## NASD Notice to Members 00-81

### INFORMATIONAL

## FIPS Changes

Fixed Income Pricing  
System Additions,  
Deletions, And Changes  
As Of October 23, 2000

### SUGGESTED ROUTING

*The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.*

- Corporate Finance
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Senior Management
- Trading & Market Making

### KEY TOPIC

- FIPS

As of October 23, 2000, the following bonds were added to the Fixed Income Pricing System<sup>SM</sup> (FIPS<sup>®</sup>).

Symbol	Name	Coupon	Maturity
CHB.GA	Champion Enterprises Inc.	7.625	05/15/09
CMS.IK	CMS Energy Corp.	9.875	10/15/07
DCEL.GB	Dobson Communications Corp.	10.875	07/01/10
FNVC.GA	Finova Capital Corp.	9.125	02/27/02
FNVC.GB	Finova Capital Corp.	6.625	09/15/01
FNVC.GC	Finova Capital Corp.	7.400	05/06/06
FNVC.GD	Finova Capital Corp.	7.125	05/01/02
FNVC.GE	Finova Capital Corp.	7.125	05/17/04
FNVC.GF	Finova Capital Corp.	7.400	06/01/07
FNVC.GG	Finova Capital Corp.	6.900	06/19/04
FNVC.GH	Finova Capital Corp.	6.500	07/28/02
FNVC.GI	Finova Capital Corp.	6.375	05/15/05
FNVC.GJ	Finova Capital Corp.	5.875	10/15/01
FNVC.GK	Finova Capital Corp.	6.250	11/01/02
FNVC.GL	Finova Capital Corp.	6.750	03/09/09
FNVC.GM	Finova Capital Corp.	6.125	03/15/04
FNVC.GN	Finova Capital Corp.	0.000	11/08/02
FNVC.GO	Finova Capital Corp.	7.250	11/08/04
FRPT.GA	Fairpoint Communications	12.500	05/01/10
HCA.GB	HCA - The Healthcare Co.	0.000	09/19/02
HPC.GA	Hercules Inc.	6.625	06/01/03
HPC.GB	Hercules Inc.	6.600	08/01/27
LEN.GB	Lennar Corp Ser B	9.950	05/01/10
MBG.GA	Mandalay Resort Group	9.500	08/01/08
MBG.GB	Mandalay Resort Group	10.250	08/01/07
NXTP.GC	Nextel Partners Inc.	11.000	03/15/10
PFCU.GA	PF.NET Communications Inc.	13.250	05/15/10

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## NASD Notice to Members 00-81

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As of October 23, 2000, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
ACNI.GE	American Medical Intl Inc.	11.000	10/15/00
ACPV.GA	Advanta Corp.	7.100	10/23/00
BRCG.GA	Bresnan Comms Group LLC	8.000	02/01/09
BRCG.GB	Bresnan Comms Group LLC	9.250	02/01/09
CIC.GA	Carson Inc.	10.375	11/01/07
CSK.GA	Chesapeake Corp.	10.375	10/01/00
FLER.GA	Big Flower Press Inc.	10.750	08/01/03
LOEH.GA	Loehmanns Inc New	11.875	05/15/03
MEGF.GA	Megafoods Stores Inc.	10.250	10/15/00
NMK.GB	Niagara Mohawk Power Corp.	7.000	10/01/00
OSI.GC	Outdoor Systems Inc.	10.750	08/15/03
PMK.GB	Primark Corp.	9.250	12/15/08
PNM.GC	Public Service Co New Mexico	8.125	09/15/01
PNM.GF	Public Service Co New Mexico	8.125	06/15/07
PNM.GG	Public Service Co New Mexico	9.000	05/01/08
SRV.GD	Service Corp Intl	6.375	10/01/00
WXMN.GA	Waxman USA Inc.	11.125	09/01/01

As of October 23, 2000, changes were made to the symbols of the following FIPS bonds.

New Symbol	Old Symbol	Name	Coupon	Maturity
FRN.GA	FRND.GA	Friendly Ice Cream Corp.	10.500	12/01/07

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Patricia Casimates, Market Regulation, NASD Regulation<sup>SM</sup>, at (301) 590-6447.

Any questions regarding the FIPS master file should be directed to Cheryl Glowacki, Nasdaq<sup>®</sup> Market Operations, at (203) 385-6310.

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**INFORMATIONAL**

**Trade Date—  
Settlement Date**

**Christmas Day And New Year's Day: Trade Date—  
Settlement Date  
Schedule**

**SUGGESTED ROUTING**

*The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.*

- Internal Audit
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Trading & Market Making

**KEY TOPIC**

- Holiday Trade Date—Settlement Date Schedule

**Christmas Day And New Year's Day: Trade Date—Settlement Date Schedule**

The Nasdaq Stock Market® and the securities exchanges will be closed on Monday, December 25, 2000, in observance of Christmas Day, and Monday, January 1, 2001, in observance of New Year's Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
Dec. 19	Dec. 22	Dec. 27
20	26	28
21	27	29
22	28	Jan. 2, 2001
25	Markets Closed	—
26	29	3
27	Jan. 2, 2001	4
28	3	5
29	4	8
Jan. 1, 2001	Markets Closed	—
2	5	9

\*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker/dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within five business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column titled "Reg. T Date."

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# What's on Your "To Do" List?

~~Set up client mtg.~~  
~~Review J.G. portfolio~~  
~~Work on presentation~~

Set FREE Quote  
from NASD First!

RENEW Businessowners' Insurance

With your hectic schedule, your list of things to do is probably even longer. But before you cross off that last task, why not take a few minutes now to compare your current protection with the NASD-sponsored Businessowners' Insurance Program.

Because you're an NASD member, **you have the right to a complimentary risk management review** of your firm's current Businessowners' Insurance. See for yourself how it compares to the NASD-sponsored Program, which includes:

- Packaged Property and Liability Insurance
- Business Auto
- Excess Liability, and
- Worker's Compensation Coverage

As other NASD members have found, this program often provides superior coverage to what you can find on your own or through an agent — and it may save you money. Before you renew your current protection, call or visit our website for more information on how your firm can benefit from this NASD-sponsored Program.

Act Now →

Call toll-free **1-800-978-NASD** (6273)

or click on "Member Information" then  
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**SEABURY & SMITH**

# Disciplinary Actions

## Disciplinary Actions Reported For November

NASD Regulation, Inc. (NASD Regulation<sup>SM</sup>) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of October 23, 2000.

### Firm Expelled, Individual Sanctioned

**Del Mar Financial Services, Inc. (CRD #34638, Irvine, California)** and **Kevin Conway Dills (CRD #1901792, Rancho Santa Fe, California)** were fined \$10,000, jointly and severally. In addition, the firm was expelled from NASD membership, and Dills was barred from association with any NASD member in any capacity. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that the firm, acting through Dills, failed to respond to an NASD request for information and conducted a securities business without having sufficient minimum net capital. **(NASD Case #C02000010)**

### Firms Fined, Individuals Sanctioned

**American Investment Services, Inc. (CRD #21111, East Peoria, Illinois), Gordon Scott Crosson (CRD #1068512, Registered Representative, Peoria, Illinois), and Lisa June Strong (CRD #1837281, Registered Principal, Peoria, Illinois)** submitted Offers of Settlement in which the firm was censured and fined \$30,000, which includes disgorgement of

commissions of \$15,000. Crosson was fined \$7,500 and suspended from association with any NASD member in any capacity for 20 business days, and Strong was fined \$10,000 and suspended from association with any NASD member in any principal capacity for 10 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm and Strong accepted subscription agreements from a registered representative of the firm for the purchase of securities by members of the public which, in fact, had been solicited by individuals not registered with the firm in any capacity. The findings also stated that the firm paid, and Strong failed to prevent the payment of, securities transactions compensation to individuals or entities not registered with the firm.

The NASD also determined that Crosson signed, as the selling representative, customer subscription agreements for the purchase of securities by public customers even though he was not involved in the offer and sale of the securities and he knew that the sales were made by individuals who were not associated with his member firm. Furthermore, the NASD found that Crosson opened a securities account in which he had a financial interest at a member firm, failed to notify his member firm, in writing, of this account or the execution of trades with the firm's account, and failed to notify the executing firm, in writing, that he was a registered representative with a member firm.

Crosson's suspension began November 6, 2000, and will conclude at the close of business on December 4, 2000. Strong's suspension began November 6,

2000, and will conclude at the close of business on November 15, 2000. **(NASD Case #C8A000019)**

**RBG Investments, Inc. (CRD #36528, Chicago, Illinois), Robert Samuel Goldfine (CRD #224230, Registered Principal, Chicago, Illinois), and Bernard Martin Marcus (CRD #319586, Registered Principal, Chicago, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent in which they were fined \$10,000, jointly and severally. Goldfine and Marcus were suspended from association with any NASD member in any capacity for 60 days, and the firm was censured and fined \$2,000, jointly and severally, with an individual. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Goldfine and Marcus, received funds for the sale of unit offerings which was made on the basis that the contemplated payment would not be made to the issuers until the required number of units was sold. The findings also stated that the firm, acting through Goldfine and Marcus, withdrew funds from the accounts for the offering before selling the required number of units in bona fide transactions of the offerings, deposited funds into the account net of commissions, and failed to properly escrow funds for the sales until the last units were sold. In addition, the NASD found that the firm filed FOCUS Part IIA Reports that were inaccurate in that, among other things, the reports overstated the firm's net capital.

Goldfine's and Marcus' suspensions began November 6, 2000, and will conclude at the close of business on January 4, 2001. **(NASD Case #C8A000027)**

#### **Firm And Individual Fined**

**Sharpe Capital, Inc. (CRD #18452, New York, New York) and Husheng Liu (CRD #2315508, Registered Representative, Woodside, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000, and Liu was censured and fined \$13,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Liu executed securities transactions for public customers of the firm, and the firm allowed Liu to conduct a securities business, despite the fact that his securities registration had become inactive based on his failure to timely complete the Regulatory Element of the NASD Continuing Education Program. **(NASD Case #C8A000053)**

#### **Firms Fined**

**Dominick & Dominick, LLC (CRD #7344, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to honor its published quotation at its published bid or published offer in an amount up to its published quotation size. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the Securities and Exchange Commission (SEC) and NASD firm quote rules. **(NASD Case #CMS000201)**

**Donaldson, Lufkin & Jenrette Securities Corp. (CRD #7560, Jersey City, New Jersey)** submitted a Letter of Acceptance,

Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late trade reporting in that it failed to report to the Fixed Income Pricing System<sup>SM</sup> (FIPS<sup>®</sup>) transactions in FIPS securities within five minutes after execution. **(NASD Case #CMS000196)**

**Global Capital Markets, LLC (CRD #16191, Syosset, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders upon presentation and thereby failed to honor its published quotation. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the SEC and NASD firm quote rules. **(NASD Case #CMS000200)**

**Schneider Securities, Inc. (CRD #16434, Denver, Colorado)** submitted a Letter of Acceptance, Waiver, and Consent (AWC) in which the firm was censured, fined \$22,500, and required to conduct and complete a comprehensive internal review of the supervisory and compliance structure of the firm under the guidance and supervision of an independent, outside consultant within 180 days of acceptance of the AWC. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm, acting through an individual, failed to adequately supervise a former registered representative in order to

prevent and detect alleged excessive trading, unauthorized trading, and the improper use of discretion. The findings also stated that the firm's written supervisory procedures and supervisory system failed to provide procedures in sufficient detail to detect and prevent excessive trading/churning, unauthorized trading, and improper use of discretion. **(NASD Case #C3A000032)**

**Sharpe Capital, Inc. (CRD #18452, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured; fined \$131,000; required to pay \$456.25, plus interest, in restitution to public customers; and required to revise its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq® securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, and failed to obtain quotations from dealers to determine the best inter-dealer market for the non-Nasdaq securities. In addition, the NASD determined that the firm reported transactions to the Automated Confirmation Transaction Service<sup>SM</sup> (ACT<sup>SM</sup>) in violation of applicable securities laws and regulations regarding trade reporting. The firm also failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that

would have improved the firm's bid or offer for each security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. The NASD also found that the firm failed to maintain accurate books and records, and the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning designation of supervisory personnel, ACT compliance, and best execution. Furthermore, the findings stated that following the conclusion of suspension periods for non-Nasdaq securities, the firm published quotations for securities or directly or indirectly submitted such quotations for publication in a quotation medium in violation of SEC Rule 15c2-11 and failed to timely file Form 211 with the NASD. **(NASD Case #CMS000197)**

### **Individuals Barred Or Suspended**

*For individuals who have been both barred and suspended, only the date that the bar became effective is included.*

**Jafar Amirahmadi (CRD #1837176, Registered Principal, Boca Raton, Florida)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Amirahmadi failed to respond to an NASD request for information. **(NASD Case #C07000026)**

**Henry Barskie (CRD #2088099, Registered Representative, Staten Island, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he

was fined \$13,500, which includes \$8,500 in disgorgement, and suspended from association with any NASD member in any capacity for 30 days. The fine must be paid before reassociating with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Barskie consented to the described sanctions and to the entry of findings that he accepted checks totaling \$8,500 from a public customer as payment for investment advice given on a securities account that the customer held at another firm and failed to notify his member firm of his outside business activity and the compensation received.

Barskie's suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. **(NASD Case #C10000182)**

**Candace Ann Bloodsworth (CRD #2339201, Registered Representative, Columbia, Maryland)** submitted an Offer of Settlement in which she was suspended from association with any NASD member in any capacity for six months. In light of the financial status of Bloodsworth, no monetary sanction has been imposed. Without admitting or denying the allegations, Bloodsworth consented to the described sanction and to the entry of findings that she effected offers and sales of securities, for compensation, outside of the normal course or scope of her association with a member firm and failed to provide the firm with prior written notice of the securities transactions.

Bloodsworth's suspension began November 6, 2000, and will conclude on May 5, 2001. **(NASD Case #C9A000018)**

**Donald Brasfield, Jr. (CRD #719643, Registered Representative, Pompano Beach, Florida)** submitted an Offer of Settlement in which he was fined \$40,000; ordered to pay \$41,340, plus interest, in restitution to public customers; and barred from association with any NASD member in any capacity. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Brasfield consented to the described sanctions and to the entry of findings that he made false representations to a public customer in order to induce the customer to purchase shares of stock. The findings also stated that Brasfield effected the purchase of shares of stock in the joint account of public customers without their prior knowledge or authorization. Brasfield also failed to respond to NASD requests for information. **(NASD Case #C07990019)**

**Leon Wilman Brooks, Sr. (CRD #1064259, Registered Representative, New Orleans, Louisiana)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Brooks received \$2,209 from public customers as payment for insurance premiums and converted \$1,564 of the funds to his own use and benefit without the customers' knowledge or consent. The findings also stated that Brooks failed to respond to NASD requests for information. **(NASD Case #C05000010)**

**Jeffrey Calvin Buck (CRD #2290116, Registered Representative, Apple Valley, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with

any NASD member in any capacity for 90 days. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Buck consented to the described sanctions and to the entry of findings that he participated in private securities transactions and an outside business activity without providing prior written notice to, or obtaining written approval from, his member firm.

Buck's suspension will begin November 20, 2000, and will conclude on February 17, 2001. **(NASD Case #C04000026)**

**Douglas Irwin Cerny (CRD #854046, Registered Representative, North Royalton, Ohio)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cerny consented to the described sanction and to the entry of findings that he received a \$100,000 check representing a cash distribution from a public customer's IRA account, deposited the funds in an account he controlled, and held the funds until a later date at which time he effected the purchase of securities in the name of the customer's mother. The findings also stated that Cerny provided materially false, inaccurate, and misleading information in a written response to an NASD request for information. **(NASD Case #C8B000014)**

**Lee Michael Ciancio (CRD #1385851, Registered Representative, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$100,000,

barred from association with any NASD member in any capacity, ordered to disgorge \$14,000 for net commissions generated, and ordered to pay \$100,000 in restitution to a public customer. The fine, restitution, and disgorgement, plus interest, must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Ciancio consented to the described sanctions and to the entry of findings that he traded excessively in the account of a public customer for the sole purpose of generating commissions for himself. The NASD also found that Ciancio made unsuitable recommendations to a public customer and exercised discretion over the customer's account without prior written authorization. **(NASD Case #C10000171)**

**Louis Cohen (CRD #853507, Registered Representative, Delray Beach, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cohen consented to the described sanction and to the entry of findings that he failed to respond to NASD requests to appear for testimony. **(NASD Case #C9A000036)**

**Charles Dorman Corbett (CRD #1203894, Registered Representative, Greenwood, Mississippi)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Corbett consented to the described sanction and to the entry of findings that he received approximately \$250,863.88 from public customers

to be invested into real estate unit investment trusts or municipal bonds. The findings also stated that, without the customers' knowledge or consent, Corbett failed to purchase the investments and, instead, converted the funds to his own use and benefit by endorsing the checks and depositing them into his personal bank account, or by using the funds to repay other customers who had requested payment of their investments. **(NASD Case #C05000053)**

**Gerard Joseph D'Amaro (CRD #2385619, Registered Representative, Boca Raton, Florida)** was barred from association with any NASD member in any capacity. The sanction was based on findings that D'Amaro provided correspondence in the form of letters, facsimile transmissions, and telexes to an institutional customer that contained false and misleading representations. The findings also stated that D'Amaro failed to obtain prior approval of correspondence from a firm principal. **(NASD Case #C05990019)**

**Eli Dinov (CRD #2633778, Registered Representative, Brooklyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Dinov consented to the described sanctions and to the entry of findings that he purchased shares of stock for his personal account on margin and failed to pay for these trades or, at a minimum, deposit 50 percent of the cost or market value of the securities. The findings also stated that Dinov failed to pay the subsequent house call and that the securities were sold out of his account, resulting in an unsecured debt of \$15,086.

Dinov's suspension began November 6, 2000, and will conclude at the close of business on November 17, 2000. **(NASD Case #C10000169)**

**David Jerome Edwards, Sr. (CRD #1455043, Registered Principal, Moreno Valley, California)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Edwards failed to respond to an NASD request for information. **(NASD Case #C02000007)**

**Andrew James Finnegan (CRD #1398403, Registered Representative, Philadelphia, Pennsylvania)** was barred from association with any NASD member in any capacity and ordered to pay \$5,625, plus interest, in restitution to public customers. The sanctions were based on findings that Finnegan received a \$5,625 check from public customers to purchase stock and, instead, converted the funds for his own use and benefit without their authorization. The findings also stated that Finnegan failed to respond to NASD requests for information. **(NASD Case #C9A000015)**

**Veronica Jeanne Floyd (CRD #3186940, Registered Representative, Brockton, Massachusetts)** submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Floyd consented to the described sanction and to the entry of findings that, in her capacity as a bank teller, she embezzled funds totaling \$23,066.22 from a bank. During the latter months of her embezzlement scheme, Floyd was registered with the NASD as an investment company products/variable annuities limited representative with a member firm. **(NASD Case #C11000023)**

**David Lloyd Foran (CRD #861746, Registered Principal, Royal Oak, Michigan)** was fined \$35,000, suspended from association with any NASD member in any capacity for two years, and required to requalify before acting in any capacity requiring qualification. The fine must be paid before any application for reentry into the securities industry will be considered. The NAC imposed the sanctions following an appeal of a December 1999 Office of Hearing Officers decision. The sanctions are based on findings that Foran misappropriated more than \$5,000 in commissions from his firm's commission account and misapplied the funds, thereby converting the funds to his own use and benefit.

Foran has appealed this decision to the SEC, and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C8A990017)**

**Marlyn Custodio Fularon (CRD #2351523, Registered Representative, San Jose, California)** submitted an Offer of Settlement in which she was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Fularon consented to the described sanctions and to the entry of findings that certain individuals, acting under her direction in attempting to reach higher sales of variable life insurance at her member firm, signed as writing agent and/or witness attesting to information concerning the applications for variable life insurance policies that were submitted to an insurance company; however, the individuals

were neither agents nor witnesses, and they did not know if the information on the applications was correct, but were merely provided the applications for their signatures.

Fularon's suspension began October 16, 2000, and will conclude at the close of business on October 15, 2002. **(NASD Case #C01990022)**

**Tyrone Gallishaw (CRD #2931933, Registered Representative, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$1,000 and suspended from association with any NASD member in any capacity for one month. Without admitting or denying the allegations, Gallishaw consented to the described sanctions and to the entry of findings that he submitted to his member firm an employment application and letter that fictitiously stated that he had received a college degree.

Gallishaw's suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. **(NASD Case #C06000021)**

**Henry Carter Gillespie, III (CRD #849154, Registered Principal, Denver, Colorado)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and required to demonstrate, prior to any application requesting relief from statutory disqualification, that \$90,000 in restitution has been paid to a public customer. Without admitting or denying the allegations, Gillespie consented to the described sanctions and to the entry of findings that he participated in a private securities transaction without providing prior written notice to his member firm. The

NASD also found that Gillespie failed to respond to NASD requests for information. **(NASD Case #C3A000018)**

**Paul Anthony Golub (CRD #1001665, Registered Representative, Middlefield, Connecticut)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Golub consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C11000019)**

**George Michael Greco, Jr. (CRD #2044300, Registered Representative, Lattingtown, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Greco failed to appear for an NASD on-the-record interview. **(NASD Case #C02000024)**

**Michael Lewis Hancock (CRD #1949866, Registered Principal, Raymond, Maine)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hancock consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C11000020)**

**Barrett Trent Hill (CRD #2712469, Registered Representative, Charlotte, North Carolina)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Hill converted for his own use and benefit \$625 that he received from

a customer to open a retirement account. **(NASD Case #C07000034)**

**Barry James Hyde (CRD #2554782, Registered Representative, Itta Bena, Mississippi)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and ordered to disgorge \$20,000 of unjust profits to public customers. The disgorgement must be paid before requesting relief from statutory disqualification. Without admitting or denying the allegations, Hyde consented to the described sanctions and to the entry of findings that he participated in private securities transactions totaling \$171,000 without providing prior written notice to his member firm describing in detail the proposed transactions, his proposed role, and any past or future selling compensation he would receive in connection with the transactions. **(NASD Case #C05000048)**

**Leslie Jay Jacobson (CRD #1892452, Registered Principal, Woodbury, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Jacobson failed to disclose on a Form U-4 that he had plead guilty to petit larceny and that he had been charged with grand larceny. **(NASD Case #C10000073)**

**Charles Biszeal Jenkins (CRD #854243, Registered Principal, New York, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Jenkins failed to respond to NASD requests for information. **(NASD Case #C10000067)**

**Ralph Edgar Joksch (CRD #1200406, Registered Representative, Oakland, California)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Joksch consented to the described sanction and to the entry of findings that he participated in the purchase of a \$100,000 promissory note for a public customer without providing prior written notification to his member firm. Joksch also failed to respond to NASD requests for information. **(NASD Case #C01000021)**

**Van Carl Kirchoff (CRD #2238732, Registered Principal, Voorhees, New Jersey)** was barred from association with any NASD member in any capacity for failing to provide testimony; fined \$5,000 for failing to renew his firm's fidelity bond; and fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days for failing to maintain his firm's minimum required net capital. The fines must be paid before reentering the securities industry. The sanctions were based on findings that Kirchoff failed to respond to an NASD request to provide testimony. The findings also stated that Kirchoff, acting as his member firm's financial and operations principal, failed to renew his firm's fidelity bond upon its expiration or at any time of his employment at the firm and failed to maintain his firm's minimum required net capital.

Kirchoff's bar became effective September 20, 2000. **(NASD Case #C9A000020)**

**Richard Daniel Kushnir (CRD #1324068, Registered Principal, Deerfield, Illinois)** submitted a

Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and barred from association with any NASD member in any principal or supervisory position. Without admitting or denying the allegations, Kushnir consented to the described sanctions and to the entry of findings that he failed to establish and maintain written supervisory procedures or otherwise take steps reasonably designed to prevent an individual from effecting unsuitable transactions. **(NASD Case #C8A000058)**

**Bernard Ladetsky (CRD #1030549, Registered Representative, Valley Stream, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before reassociating with a member firm or before requesting relief from a statutory disqualification. Without admitting or denying the allegations, Ladetsky consented to the described sanctions and to the entry of findings that he allowed his son to sign life insurance applications falsely indicating that his son was the agent who had sold the subject policies when, in fact, the policies had been sold by Ladetsky.

Ladetsky's suspension began October 16, 2000, and will conclude at the close of business on October 15, 2001. **(NASD Case #C9B000025)**

**Alfonso Meneses, Jr. (CRD #2328486, Registered Representative, Teaneck, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 30 days

and ordered to requalify by examination. In light of the financial status of Meneses, no monetary sanction has been imposed. Without admitting or denying the allegations, Meneses consented to the described sanctions and to the entry of findings that he received a \$2,760.60 check from a public customer to be deposited into his personal checking account to open a new brokerage account for the customer at his member firm. The findings also stated that Meneses' firm refused to accept a third party check in connection with the opening of a new customer account, returned the check to him, and Meneses failed to deposit the funds promptly into the customer's new brokerage account.

Meneses' suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. **(NASD Case #C10000176)**

**Adnan Ali Mirza (CRD #2953565, Registered Representative, Lomita, California)** was barred from association with any NASD member in any capacity and ordered to pay \$336,620.85, plus interest, in restitution to public customers. The sanctions were based on findings that Mirza failed to respond to NASD requests to appear for an on-the-record interview and acted in a principal capacity when not registered properly. Mirza also had public customers execute blank account funds transfer forms under false pretenses and thereafter transferred funds out of the customers' account for some purpose other than for the benefit of the customers; in addition, he had a customer wire funds into another account at a member firm with the understanding that the funds would be transferred immediately to the customer's account. The customer

wired the funds, but the funds were never received into his account. **(NASD Case #C02000009)**

**John Francis Murphy, Jr. (CRD #1923459, Registered Representative, Hopkinton, Massachusetts)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Murphy consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C11000016)**

**Gregory Oliver (CRD #2032856, Registered Representative, Milford, Ohio)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with an NASD member. Without admitting or denying the allegations, Oliver consented to the described sanctions and to the entry of findings that he participated in private securities transactions, for compensation, without prior written notice to, or prior approval from, his member firm.

Oliver's suspension began November 6, 2000, and will conclude at the close of business on November 5, 2002. **(NASD Case #C3A000040)**

**Dominick Palermo (CRD #1986601, Registered Principal, Massapequa Park, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Palermo failed to respond to NASD requests for information. **(NASD Case #C10000057)**

**Steven Pantelis (CRD #2314147, Registered Representative, Merrick, New York)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Pantelis failed to respond to NASD requests to appear for on-the-record interviews. **(NASD Case #C10000048)**

**Todd Christopher Perry (CRD #2808632, Registered Representative, Baldwin, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Perry consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide his member firm with prior written notification. **(NASD Case #C10000183)**

**Mark Edward Pollachek (CRD #2204151, Registered Representative, Califon, New Jersey)** and **Judith Ann Pollachek (CRD #3070874, Registered Representative, Califon, New Jersey)** submitted Letters of Acceptance, Waiver, and Consent in which Mark Pollachek was fined \$24,000, which represents disgorgement of improperly obtained commissions, and barred from association with any NASD member in any capacity. Judith Pollachek was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Mark Pollachek pled guilty to the charge of assisting in the structuring of transactions, a felony violation, in that he caused the issuance of money orders for

the purpose of evading currency reporting requirements. The findings also stated that the money orders were used to pay for securities transactions involving a customer. The NASD also found that Mark Pollachek sold securities and received commissions of approximately \$24,000 from these transactions although he was not registered and was subject to a statutory disqualification. According to the findings, Mark Pollachek accomplished this by allowing his wife, Judith Pollachek, a registered representative of a member firm, to take credit for the subject sales by falsely signing all of the transaction documents as the registered representative of record, as if she were the person responsible for the sales. **(NASD Case #C9B000026)**

**David Michael Rubin (CRD #1497235, Registered Representative, Bloomingdale, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rubin consented to the described sanction and to the entry of findings that he misrepresented that a new variable life insurance policy could be acquired for little or no additional cash payments by using cash values and/or future dividends from existing policies when, in fact, the customers would have been required to make payments to keep the insurance in force. **(NASD Case #CAF000039)**

**Marie Lynn Sychowski (CRD #2437628, Registered Representative, Glendale, Arizona)** submitted a Letter of Acceptance, Waiver, and Consent in which she was suspended from association with any NASD member in any capacity for one year. In light of the financial status

of Sychowski, no monetary sanction has been imposed. Without admitting or denying the allegations, Sychowski consented to the described sanction and to the entry of findings that she participated in private securities transactions, for compensation, without providing prior written notice to, or receiving written permission from, her member firm.

Sychowski's suspension will begin November 20, 2000, and conclude at the close of business on November 19, 2001. **(NASD Case #C3A000037)**

**Andres Eduardo Telleria (CRD #2827808, Registered Representative, Miami, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 30 business days. In light of the financial status of Telleria, no monetary sanction has been imposed. Without admitting or denying the allegations, Telleria consented to the described sanction and to the entry of findings that he willfully failed to disclose a material fact on his Form U-4.

Telleria's suspension began November 6, 2000, and will conclude at the close of business on December 18, 2000. **(NASD Case #C05000055)**

**John Robert Van (CRD #2102824, Registered Principal, Corinth, New York)** and **Michael Edward Murphy (CRD #1528815, Registered Principal, Clifton Park, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which they were each fined \$10,000 and suspended from association with any NASD member for 15 business days. Without admitting or denying the allegations, the respondents

consented to the described sanctions and to the entry of findings that they recommended unsuitable trading to public customers that resulted in excessive and inappropriate use of margin. The findings also stated that Van and Murphy recommended transactions in which the customers borrowed against existing stock positions to purchase additional shares of, among other things, "high-risk" over-the-counter stocks. The NASD found that Van and Murphy acted in disregard of their customers' interests when they disregarded the impact of use of margin and the concentration levels of certain securities, excessive trading, and the risks incurred in their recommendations that resulted in a total loss of approximately \$211,000 and margin interest of approximately \$15,300.

Van's suspension began September 28, 2000, and concluded at the close of business on October 18, 2000. Murphy's suspension began October 19, 2000, and concluded at the close of business on November 8, 2000. **(NASD Case #C11000018)**

**Kevin James Wallace (CRD #1511219, Registered Representative, Singapore, Singapore)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Wallace failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10000033)**

**Joseph Stanley Williams (CRD #1455909, Registered Representative, College Park, Georgia)** was fined \$20,000 and suspended from association with any NASD member in any capacity for two years for making material

misrepresentations and material omissions, fined \$20,000 and suspended from association with any NASD member in any capacity for one year for making unsuitable recommendations to customers, and barred from association with any NASD member in any capacity for failing to respond to NASD requests for information. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that Williams knowingly or recklessly made misrepresentations and omissions to public customers regarding the future price, nature, and financial condition of a speculative security and its common stock. The findings also stated that Williams made risky investment recommendations to public customers that were incompatible with their financial situations and that exposed them to substantial risk. The NASD also found that Williams failed to respond to NASD requests for information.

Williams' bar became effective September 20, 2000. **(NASD Case #C07000032)**

**Charles Albert Woods, Jr. (CRD #3171744, Registered Representative, Philadelphia, Pennsylvania)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Woods failed to respond to NASD requests for information. **(NASD Case #C9A000017)**

**Michael Scott Woods (CRD #2945561, Registered Representative, Greenback, Tennessee)** was barred from association with any NASD member in any capacity. The sanction was based on findings that Woods willfully failed to disclose on

his Form U-4 that he had been charged with felonies or misdemeanors involving false statements or the wrongful taking of property and that he had been convicted of at least one felony or misdemeanor involving false statements. The findings also stated that Woods failed to respond to NASD requests for information. **(NASD Case #C05000022)**

**Alexander Yarnall (CRD #3078282, Registered Representative, Boca Raton, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Yarnall consented to the described sanctions and to the entry of findings that, in an effort to meet the requirements of a sales contest at his member firm, Yarnall journaled funds from one customer's account into other customers' accounts, without their knowledge. The findings also stated that Yarnall later restored the funds to the initial customer's account by signing, without customer authorization, the names of the customers whose accounts received the funds on transfer authorization forms.

Yarnall's suspension began November 6, 2000, and will conclude at the close of business on November 5, 2002. **(NASD Case #C07000066)**

**William Jay Zubick (CRD #2462565, Registered Representative, Carmel Valley, California)** submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zubick consented to

the described sanction and to the entry of findings that he engaged in private securities transactions without providing written notification to, and receiving approval from, his member firm. The findings also stated that Zubick opened a joint account with a public customer at another member firm without informing the executing firm of his association with a member firm, and without notifying his member firm of his intention to open the account with the executing firm. **(NASD Case #C01000014)**

### Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are adjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

**David Stephen Adams (CRD #1450961, Registered Representative, Bloomington, Illinois)** was named as a respondent in an NASD complaint alleging that he caused a letter to be sent to a life insurance company requesting that \$7,000 be liquidated from the account of a public customer and sent to Adams' business address. The complaint alleges that Adams received a \$7,318.06 check from the insurance company, endorsed the check, and used the funds for either his benefit or for some purpose other than the benefit of the customer without the customer's knowledge or consent. In addition, the complaint alleges

that Adams failed to respond to NASD requests for information. **(NASD Case #C8A000057)**

**Kester Eugene Hood (CRD #2509848, Registered Representative, York, Pennsylvania)** was named as a respondent in an NASD complaint alleging that he withdrew \$2,890 from general ledger accounts belonging to a bank affiliated with his member firm and converted these funds to his own use and benefit without the authorization or consent of the bank. The complaint also alleges that Hood failed to respond to NASD requests for information. **(NASD Case #C9A000035)**

**Gregory Paul Maggipinto (CRD #1042789, Registered Representative, San Jose, California)** was named as a respondent in an NASD complaint alleging that he engaged in unauthorized trading in the account of a deceased customer. The complaint also alleges that Maggipinto fraudulently induced the customer's survivors to allow him to continue trading in the account by falsely representing that the deceased customer had given him discretionary authority. In addition, the complaint alleges that Maggipinto failed to appear for on-the-record testimony. **(NASD Case #C01000026)**

**Deborah Faye Morones (CRD #1779396, Registered Principal, Bowling Green, Kentucky)** was named as a respondent in an NASD complaint alleging that she engaged in the sale of unregistered securities in connection with an offering of units to non-accredited investors in which the offering was not otherwise exempt from registration. The complaint also alleges that Morones published and distributed a public communications

piece in connection with an offering of units that lacked balanced presentation of the risks of the security, contained unwarranted and misleading statements, omitted material facts, and included exaggerated statements and claims. The complaint further alleges that Morones failed to enforce customer suitability requirements on offerings of securities and accepted subscriptions tendered by public customers who did not provide sufficient information to determine suitability and who did not meet suitability standards. **(NASD Case #C05000051)**

**Becky Maria Nunez (CRD #2313048, Registered Representative, Brooklyn, New York)** was named as a respondent in an NASD complaint alleging that she executed unauthorized trades in the account of a public customer without the knowledge or consent of the customer and in the absence of written or oral authorization to exercise discretion in the account. The complaint also alleges that Nunez failed to respond to NASD requests for information. **(NASD Case #C10000174)**

**Peter Gerard Olton (CRD #1967551, Registered Principal, Parlin, New Jersey)** was named as a respondent in an NASD complaint alleging that he converted, misappropriated, or improperly used a public customer's funds for his own use and benefit by effecting a wire transfer of \$13,000 from the customer's account at a member firm to his personal bank account, without the knowledge, authorization, or consent of the customer. The complaint also alleges that Olton failed to respond

to NASD requests for information. **(NASD Case #C10000168)**

**William Joseph Shaughnessy (CRD #870259, Registered Supervisor, Tucson, Arizona)** was named as a respondent in an NASD complaint alleging that he made investment recommendations to public customers that were unsuitable in light of their financial circumstances and needs and caused a loss of approximately \$19,400 in their investments. The complaint also alleges that Shaughnessy submitted new account information concerning the public customers to a member firm that was materially inaccurate in that it overstated their net worth, set forth misleading employment information, included speculation in the customers' investment objectives that was inconsistent with their true objectives, and overstated their prior investment experience. **(NASD Case #C3A000036)**

**Robert Walter White (CRD #2118340, Registered Representative, Winston-Salem, North Carolina)** was named as a respondent in an NASD complaint alleging that he received wire transfers totaling \$10,000 from a public customer to be deposited into the customer's investment account, failed to deposit the funds, and, instead, converted the funds to his own use and benefit by having the funds wire transferred to an account he controlled without the customer's knowledge or consent. The complaint also alleges that White failed to respond to NASD requests for information. **(NASD Case #C05000052)**

### **Firm Canceled**

The following firm was canceled from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the cancellation commenced is listed after the entry.

**Phoenix Financial Services Corp.**, New York, New York (October 11, 2000)

### **Firms Suspended**

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

**Bell Investment Group, Inc.**, New York, New York (September 26, 2000)

**First International Capital LTD.**, Hamilton, Bermuda (October 9, 2000)

**Lloyd G. Wilson Securities, Inc.**, Mount Hermon, California (September 26, 2000)

**Phoenix Financial Services Corp.**, New York, New York (October 5, 2000)

**Firm Expelled For Failure to  
Pay Fines, Costs, And/Or  
Provide Proof Of Payment In  
Connection With Violations**

**King Management Company**  
(a.k.a. Tally King & Co., Inc.),  
Irvine, California (October 2, 2000)

**Individuals Whose  
Registrations Were Revoked  
For Failure To Pay Fines,  
Costs, And/Or Provide Proof  
Of Payment In Connection  
With Violations**

**Petitta, William L.**, Draper, Utah  
(October 2, 2000)

**Solomon, Dave A.**, Plainview, New  
York (October 2, 2000)

**Wernick, Judah L.**, Woodmere,  
New York (October 2, 2000)

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