

BEFORE THE NATIONAL BUSINESS CONDUCT COMMITTEE

NASD REGULATION, INC.

In the Matter of  
the Association of

X

as a

General Securities Representative

with

The Sponsoring Firm

**Redacted Decision**

Notice Pursuant to  
Rule 19h-1  
Securities Exchange Act  
of 1934

SD98002

This matter involves the association of X<sup>1</sup>, a person subject to a statutory disqualification, as a general securities representative with, a member firm ("Sponsoring Firm" or "Firm") located in New Jersey. A hearing in the matter was held in October 1997 before a subcommittee ("Hearing Panel") of the Statutory Disqualification Committee ("SD Committee") of NASD Regulation, Inc. ("NASD Regulation"). X appeared and was accompanied by a general principal and financial and operations principal ("the Proposed Supervisor") at the Sponsoring Firm.

X has been employed in the securities industry for ten years, although his previous employers have not required that he be registered with the Association. From March 1986 through 1988 X was employed as a margin and options analyst at Firm A. From 1988 through 1996 X was an investment analyst at Firm B.<sup>2</sup> In November 1996 X joined both Firm C as a financial consultant trainee and also the Sponsoring Firm as a registered representative trainee. X testified that he has not performed any

<sup>1</sup> The names of the Statutorily Disqualified individual, the Sponsoring Firm, the Proposed Supervisor, and other information deemed reasonably necessary to maintain confidentiality have been redacted.

<sup>2</sup> Based upon X's testimony that he was employed by Firm B as an investment analyst and that he had contact with Firm B's customers, the SD Committee will refer this case to district staff to investigate whether Firm B should have: (1) required X to register with the Association; and (2) disclosed X's disqualifying event to the NASD during X's employment there.

securities-related business on behalf of the Sponsoring Firm and that this employment was limited to preparing for the Series 7 examination, which he passed.

X is subject to a statutory disqualification as the result of his 1991 guilty plea in a State Superior Court, to one felony count of conspiracy to distribute cocaine. X was sentenced to two years' probation, substance abuse evaluation, and random urinalysis. His probation terminated in July 1993, without incident.

The Sponsoring Firm has been a member of the NASD since 1992 and sells mutual funds, variable products, and investment advisory services. The Sponsoring Firm employs seven registered principals and 94 registered representatives at its office at in New Jersey. The Firm derives 50 percent of its revenue from selling investment advisory services and the remaining 50 percent from selling mutual funds and variable products. The Sponsoring Firm handles few equities and clears on a fully disclosed basis.

The Sponsoring Firm proposes to employ X as a registered representative for the sale of mutual funds, variable products, and investment advisory services. X will be supervised by the Proposed Supervisor, who has been a general principal since 1985 and a financial and operations principal since 1986 and has no disciplinary history. The Sponsoring Firm has no formal disciplinary history.

At the hearing and in written submissions the Sponsoring Firm outlined the following supervisory plan:

- (1) X and the Proposed Supervisor will be located in close proximity in the office;
- (2) The Proposed Supervisor will monitor and review X's business correspondence and telephone calls, new account forms, and securities order tickets;
- (3) X's activities will be limited to directing clients to the Sponsoring Firm for the sale of mutual funds, variable products, and investment advisory services.

The Sponsoring Firm employs no other individuals who are subject to a statutory disqualification and no familial relationship exists between X's and his proposed supervisor. The Firm was last examined in 1997, and that examination was filed without action.

After careful review of the entire record in this matter, the NASD concludes that the Sponsoring Firm's application to employ X as a general securities representative should be approved. We note that X's probation was successfully terminated in 1993. He has been employed by Firm C since 1996 without incident. The Sponsoring Firm appears well structured to supervise X, in that the Firm has only one office, has proposed a supervisory program to monitor X closely, and has no prior disciplinary history. In addition, his proposed supervisor has been a registered principal for 12 years and has no

disciplinary history. The NASD certifies that X meets all applicable requirements for the proposed employment. The Sponsoring Firm is not a member of any other self-regulatory organization.

Accordingly, the application of X to become associated as a general securities representative with a Sponsoring Firm will become effective in 30 days unless otherwise notified by the Securities and Exchange Commission.

On Behalf of the National Business Conduct Committee,

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Joan C. Conley, Corporate Secretary