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ARKANSAS SECURITIES DEPT.

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-13-0127
ORDER NO. S-13-0127-13-OR01**

IN THE MATTER OF

NSM SECURITIES, INC.

RESPONDENT

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 ("Act"), the Rules of the Arkansas Securities Commissioner promulgated under the Act, and the Arkansas Administrative Procedure Act, Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement between the Staff of the Arkansas Securities Department ("Staff") and NSM Securities, Inc. (CRD# 134357) ("NSM"), in final settlement of all claims that could be brought against NSM by the Staff on the basis of the facts set forth herein.

NSM admits the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waives its right to a formal hearing, consents to the entry of this Consent Order, and agrees to abide by its terms in the settlement of any possible violations committed by NSM concerning the matters detailed in this Consent Order.

RESPONDENT

1. NSM is a Florida corporation with its principal place of business located in West Palm Beach, Florida. NSM has been registered with the Arkansas Securities Department ("Department") as a broker-dealer since January 15, 2008.

2. NSM has cooperated with the Staff throughout its investigation and has assured the Staff that appropriate steps have been taken to prevent further violations of the Act.

FINDINGS OF FACT

3. An Arkansas resident ("ARI") became a client of NSM on January 29, 2010. At that time, Rabinder Deshmukh ("Deshmukh") (CRD# 5293748) was the agent of NSM responsible for ARI's accounts. Deshmukh was employed by NSM from February 14, 2007, through February 11, 2013, and was registered as an agent of NSM with the Department from January 15, 2008, until he voluntarily terminated his registration on December 12, 2012.

4. In January 2011, Naveen K. Bhagwani ("Bhagwani") (CRD# 5423037) became an agent of NSM responsible for ARI's accounts. Bhagwani was employed by NSM from September 17, 2007, until he was discharged on October 3, 2011. Bhagwani has never been registered with the Department in any capacity.

5. From January 25, 2011, through October 4, 2011, Bhagwani was identified as an agent for ARI's accounts on ARI's trade confirmations with NSM, and received commissions on certain transactions for ARI during this time period. Further, Bhagwani was identified as an agent for ARI's accounts on ARI's account statements from January 1, 2011, through September 1, 2011. On September 6, 2011, the chief compliance officer ("CCO") of NSM sent a letter to ARI regarding NSM's periodic review of ARI's account activity and requesting confirmation of ARI's stated investment objectives and risk tolerance. In this letter, the CCO specifically identified Deshmukh and Bhagwani as the NSM agents for ARI's accounts.

6. As specified in NSM's written supervisory procedures ("WSPs") in effect during the time period set forth herein, Irving M. Burstein ("Burstein") (CRD# 1218326) was the general securities principal at NSM with supervisory responsibility over the registration and licensing of NSM's agents and the review of its customers' account activities, in addition to other areas of supervision. Burstein was employed by NSM from September 6, 2005, through

October 13, 2011, and was registered as an agent of NSM with the Department from January 31, 2008, until he voluntarily terminated his registration on October 13, 2011.

7. While NSM's WSPs specify the supervision of the registration and licensing of its agents and the periodic review of its customers' account activities, neither Burstein nor other general securities principals with supervisory responsibilities at NSM detected that Bhagwani was transacting business in Arkansas as ARI's agent at NSM without being registered under the Act from January 25, 2011, through October 4, 2011.

APPLICABLE LAW

8. It is unlawful for a person to transact business in Arkansas as an agent unless they are registered under the Act. Ark. Code Ann. § 23-42-301(a).

9. It is unlawful for a registered broker-dealer to employ an unregistered agent except a nonresident agent who is registered by any other state securities administrator and who effects transactions in Arkansas exclusively with registered broker-dealers. Ark. Code Ann. § 23-42-301(b)(1).

10. A broker-dealer shall establish, maintain, and enforce a system to supervise the activities of its agents and employees that is reasonably designed to achieve compliance with the Act, the rules and orders of the Commissioner, all other applicable state and federal securities laws, and the rules of self-regulatory organizations. Ark. Code Ann. § 23-42-301(f)(1).

11. The Commissioner may by order deny, suspend, make conditional or probationary, or revoke any registration if he finds that the order is in the public interest and the registrant has failed reasonably to supervise the agents or employees of the broker-dealer. Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(J).

12. Whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, except the provisions of Ark. Code Ann. § 23-42-509, or any rule or order under the Act, he may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

13. The Commissioner may for each violation of the Act fine any broker-dealer up to \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation. Ark. Code Ann. § 23-42-308(g)(1).

14. Nothing in Ark. Code Ann. § 23-42-308 shall prohibit or restrict the informal disposition of a proceeding or allegations which might give rise to a proceeding by settlement or consent. Ark. Code Ann. § 23-42-308(h).

15. The Commissioner may apply to the Pulaski County Circuit Court to temporarily or permanently enjoin an act or practice that violates the Act and to enforce compliance with the Act or any rule or order under the Act without issuing an order under Ark. Code Ann. § 23-42-209(a)(1) or (a)(2). Ark. Code Ann. § 23-42-209(a)(3)(B).

CONCLUSIONS OF LAW

16. From January 25, 2011, through October 4, 2011, Bhagwani was identified by NSM as an agent for ARI's accounts, executed trades for ARI, and received commissions on certain transactions for ARI. Consequently, Bhagwani unlawfully transacted business in Arkansas as an agent of NSM without being registered under the Act, in violation of Ark. Code Ann. § 23-42-301(a).

17. From January 25, 2011, through October 4, 2011, NSM unlawfully employed Bhagwani as an unregistered agent in Arkansas, in violation of Ark. Code Ann. § 23-42-

301(b)(1).

18. NSM did not enforce its system to supervise the registration and licensing of Bhagwani or the periodic review of AR1's account activities, as specified in its WSPs, in violation of Ark. Code Ann. § 23-42-301(f)(1). As a result, NSM failed to reasonably supervise Bhagwani and failed to detect Bhagwani's unregistered activity in Arkansas, which constitutes grounds for discipline under Ark. Code Ann. § 23-42-308(a)(1) and (a)(2)(J).

19. Pursuant to Ark. Code Ann. § 23-42-308(g)(1), NSM should be fined an amount not to exceed \$10,000.00 or an amount equal to the total amount of money received in connection with each separate violation.

20. Pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A), NSM should be ordered to cease and desist from further violations of the Act equivalent to the violations detailed herein.

OPINION

21. This Consent Order is in the public interest. The facts set out in paragraphs 1 through 7 support the violations of the Act set out in paragraphs 16 through 20.

ORDER

By agreement and with consent of the Staff, NSM, and NSM's authorized representatives,
IT IS HEREBY ORDERED:

1. NSM shall cease and desist from further violations of Ark. Code Ann. §§ 23-42-301(b)(1), 23-42-301(f)(1), and 23-42-308(a)(2)(J);

2. NSM shall pay a fine of \$7,000.00 to the Department within ten days of the entry of this Consent Order;

3. Any failure by the NSM to adhere to this Consent Order shall be considered a violation of this Consent Order authorizing the Commissioner to apply to the Pulaski County

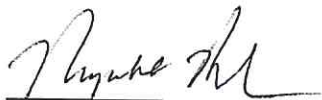
Circuit Court to enforce compliance with this Consent Order, pursuant to Ark. Code Ann. § 23-42-209(a)(3)(B).

WITNESS MY HAND AND SEAL on this 24th day of October, 2013.



A. Heath Abshire
Arkansas Securities Commissioner

NSM Securities, Inc. hereby agrees to the entry of this Consent Order, and consents to all terms, conditions, and orders contained therein, and waives any right to an appeal from this Consent Order.



Niyukt R. Bhasin
President/CEO/Chief Compliance Officer
NSM Securities, Inc.

10/21/2013
Date

APPROVED AS TO FORM:



Ian J. Frimet
Counsel for NSM Securities, Inc.
Wexler Burkhardt Hirschberg & Unger, LLP

10-24-13
Date

APPROVED AS TO FORM
AND CONTENT:



Amber E. Crouch
Staff Attorney
Arkansas Securities Department

10-24-13
Date