

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF MARKET REGULATION,

Complainant,

v.

GREATER METROPOLITAN INVESTMENT
SERVICES, INC. (BD 17452),

JAMES THOMAS PATTEN (CRD 1143818),

AND

CHINTAMAN M. DALVI (CRD 1981088),

RESPONDENTS.

DISCIPLINARY PROCEEDING NO.
2005000245601

HEARING OFFICER: HALL

**ORDER ACCEPTING CHINTAMAN DALVI'S
OFFER OF SETTLEMENT**

The Department of Market Regulation ("Complainant") filed a Complaint in Disciplinary Proceeding No. 2005000245601, on May 18, 2006. Respondent Chintaman Dalvi submitted an Offer of Settlement ("Offer") to Complainant on June 8, 2006. Under Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") Review Subcommittee or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order is now issued under Code of Procedure Rule 9270(e)(3). The findings, conclusions, and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented for the purpose of this proceeding only, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding in which NASD is a party, to the entry of findings of facts and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Dalvi was Respondent Greater Metropolitan Investment Services, Inc.'s ("GMIS") Vice President and its compliance officer from November 1999 until June 22, 2004, when he was last registered with the firm. At all times relevant to the Complaint, Dalvi had supervisory responsibilities over Respondent James T. Patten ("Patten"), as well as all other GMIS registered representatives.

Dalvi was first registered in 1988. Since leaving GMIS in June 2004, Dalvi was registered with T.R. Winston & Company, Inc., from June 15, 2004, to February 28, 2005, and with Empire Financial Group, Inc., from March 16, 2005, until May 24, 2006, when Empire filed a Form U5 on his behalf. Dalvi has not been registered since that date.

Dalvi has no relevant disciplinary history.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

**Dalvi: (i) Failed to Establish and Maintain a Reasonable Supervisory System,
(ii) Failed to Establish and Maintain Adequate Written Supervisory
Procedures, and (iii) Failed to Supervise Patten**

At all relevant times, Dalvi was GMIS's compliance officer and Vice President. Dalvi had formal responsibility for establishing and maintaining the firm's supervisory system. Dalvi was responsible for reviewing and updating GMIS's written supervisory and compliance procedures. GMIS's written supervisory procedures contained inadequate or non-existent procedures relating to compliance with the anti-fraud, anti-manipulation, and record-keeping provisions of the securities laws and regulations.

At all relevant times, Dalvi was Patten's supervisor. Dalvi was responsible for reviewing and approving all securities transactions at GMIS. Dalvi reviewed and approved Patten's transactions in Lifen, Inc. ("LFEN"). In 2002 and early 2003, LFEN was a development stage company with no revenues and no employees. At all times relevant to the Complaint, LFEN's financial statements contained a going concern clause. From July 2002 through about May 2003, Patten engaged in matched and cross trades in LFEN through GMIS customer accounts. As a result of Patten's manipulative trading, LFEN's share price reached \$5.00 per share by about April 2003.

Dalvi knew, or should reasonably have known, that Patten owned about 300,000 shares of LFEN and, accordingly, had an interest in seeing its share price increase. Dalvi knew, or reasonably should have known, that Patten helped four offshore accounts dump about 516,900 shares of LFEN by selling them to dozens of Patten's GMIS customers. Dalvi knew that GMIS, as a result of Patten's trading in LFEN, controlled a large percentage of the trading volume in LFEN from July 2002 through May 2003. Dalvi also was aware, or should reasonably have been aware, that Patten was manipulating the price

of LFEN by means of matched and cross trades among GMIS customer accounts. Dalvi took no appropriate action to stop Patten's manipulative trading in LFEN.

Between about July 2002 and May 2003, Dalvi countenanced a supervisory system that, in practice, did not apply or monitor procedures with regard to Patten's trading activities, and thereby failed to establish, maintain, or enforce a system to supervise the activities of each representative and associated person that was reasonably designed to achieve compliance with applicable securities laws and regulations and NASD Rules.

Dalvi and GMIS failed to establish, maintain, and enforce written procedures reasonably designed to achieve compliance with anti-fraud and record-keeping provisions of the securities laws and regulations and NASD rules.

Between July 2002 and May 2003, Dalvi, as Patten's direct supervisor, failed to reasonably supervise Patten's trading activities in LFEN and his improper marking of customer order tickets in LFEN as unsolicited.

By reason of the foregoing, Dalvi violated NASD Conduct Rules 2110 and 3010, as set forth in Causes Three, Four, and Five of the Complaint.

The findings herein are pursuant to Respondent Dalvi's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by NASD of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent Chintaman M. Dalvi:

-- be permanently barred in all capacities from associating with any member firm.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

June 16, 2006

By: 
Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation

On behalf of the Director of ODA, pursuant to delegated authority