

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**ARA PROUDIAN
(CRD No. 2488729),**

RESPONDENT.

DISCIPLINARY PROCEEDING
No. 2006003684701

Hearing Officer AHP

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: July 31, 2008

INTRODUCTION

Disciplinary Proceeding No. 2006003684701 was filed on June 30, 2008, by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA"). ("Complainant"). Respondent Ara Proudian ("Respondent") submitted an Offer of Settlement ("Offer") to Complainant on July 17, 2008. Pursuant to NASD Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to NASD 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, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other

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proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings 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 FINRA.

BACKGROUND

Respondent first became registered with FINRA as a General Securities Representative (GSR) on or approximately June 8, 1994. Respondent first became registered with FINRA as a General Securities Principal (GSP) on or approximately December 5, 1995, and as an Equity Trader Limited Representative (ETLR) on or approximately March 7, 2001.

Respondent was registered as a GSR, GSP and ETLR through Park Capital Securities, LLC (BD No. 104206) from approximately August 14, 2002 until approximately January 2, 2004. He was registered as a GSR, GSP and ETLR through Carlton Capital, Inc. (BD No. 42533) (Carlton Capital or the Firm) from approximately October 10, 2003 until approximately July 19, 2006. Respondent served as Carlton Capital's President and Chief Compliance Officer (CCO) from October 2005 until he left the firm on or approximately July 15, 2006.

Respondent is not currently registered with FINRA in any capacity, but remains subject to FINRA's jurisdiction pursuant to FINRA Bylaws, Article V, Section 4.

In June 2002, Respondent entered into an AWC consenting to findings that Alexander, Wescott & Co., Inc. (BD No. 35935), acting through Respondent, conducted a securities business while

failing to maintain required minimum net capital, and consenting to a \$5,000 joint and several fine.

On September 7, 2006, a FINRA hearing panel issued a decision finding that Respondent aided and abetted a market manipulation while at Park Capital Securities. The panel fined Respondent \$5,000, suspended him in all capacities for 90 days, and required that he requalify in all capacities. The National Adjudicatory Counsel called the case for review, and oral argument occurred on May 1, 2007. No decision has been issued.

FINDINGS AND CONCLUSIONS

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

On or about February 17, 2006, Carlton Capital began recording telephone conversations pursuant to NASD Conduct Rule 3010(b)(2), the "Taping Rule." The Firm was subject to the Taping Rule because certain of its registered representatives had recently been registered through Park Capital Securities, a "disciplined firm" as defined by the Taping Rule. As President and CCO, Respondent was responsible for ensuring that Carlton Capital complied with the Taping Rule. Respondent arranged for the taping system to be installed, wrote new written supervisory procedures related to the Taping Rule, informed the brokers about the new system and rules, and reviewed the tapes himself.

Respondent routinely allowed Carlton Capital's registered representatives to talk to customers on cellular telephones when the representatives were out of Carlton Capital's office.

Representatives called orders into Carlton Capital's office, and Respondent, who was responsible for order execution, accepted them. Respondent knew or should have known that representatives in these situations had received orders from their customers on the representatives' cell phones or other unrecorded telephone lines outside of Carlton Capital's office.

During the relevant period, Carlton Capital used two telephone service providers. Verizon provided the Firm with five telephone lines beginning with area code 212; Everest provided the Firm with eight telephone lines beginning with area code 646. Carlton Capital recorded all telephone calls coming in or going out of the Firm on the telephone lines beginning with area code 646, and none of the telephone calls coming in or going out of the Firm on the telephone lines beginning with area code 212. Respondent provided certain representatives, including but not limited to DS, SD and CM, with access to the telephone lines that began with area code 212, which these representatives knew to be unrecorded and which the representatives used to communicate with Firm customers.

On May 12, 2006, Respondent gave sworn testimony in an "on-the-record" interview (OTR) in FINRA's offices at One Liberty Plaza, New York, NY. On May 12, 2006, Respondent testified that all telephone conversations at Carlton Capital were recorded. Respondent specifically stated that calls between himself and the owner of the firm, RL, were recorded. In fact, Respondent routinely used an unrecorded telephone line beginning with area code 212 to discuss business

with the Firm's owner, RL. On May 12, 2006, Respondent knew that he routinely used an unrecorded telephone line beginning with area code 212 to discuss business with the Firm's owner.

On January 12, 2007, Respondent again gave sworn testimony in an OTR in FINRA's offices at One Liberty Plaza, New York, NY. On January 12, 2007, Respondent testified that Carlton Capital's telephone lines beginning with area code 212 were only used for facsimile transmission, never as voice transmission lines. Respondent testified that the Firm had two fax machines and the other three area code 212 telephone lines were unused. On January 12, 2007, Respondent knew that Carlton Capital's telephone lines beginning with area code 212 were not used only for facsimile transmission. On May 12, 2006 and on January 12, 2007, Respondent knew that registered representatives at Carlton Capital had been given access to unrecorded telephone lines beginning with area code 212.

Respondent's testimony on May 12, 2006 and on January 12, 2007, as described above, was false and misleading.

Based on the foregoing and in each and every instance, Respondent violated NASD Conduct Rules 3010(b)(2) and 2110 and NASD Procedural Rule 8210.

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 FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

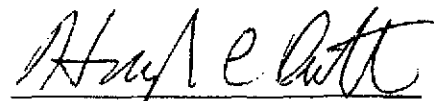
It is ordered that Respondent be barred from association with any member firm in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



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