

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

Department of Enforcement,

Complainant,

v.

Stuart Gregory Burchard,
CRD No. 2264551,

Respondent.

Disciplinary Proceeding
No. 2008011656401

Hearing Officer - MAD

Date: November 8, 2010

ORDER ACCEPTING OFFER OF SETTLEMENT

INTRODUCTION

Disciplinary Proceeding No. 20080116564 was filed on August 24, 2010 ("Complaint"), by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Stuart Gregory Burchard ("Burchard") ("Respondent") submitted an Offer of Settlement ("Offer") on [MONTH] [DAY], 2010. Pursuant to FINRA 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 FINRA 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 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

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the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

Burchard became registered as a general securities representative and general securities principal in October 1992, and was employed in these capacities by FINRA members. Burchard founded Broad Street Securities, Inc.¹ and was its CEO, President and 70% owner; he was also its Financial Operations Principal and Anti-Money Laundering Compliance Officer during all times relevant. Burchard became registered with another FINRA member in July 2009 until his registration was terminated in November 2009. Burchard is not currently registered with a FINRA member. Burchard has no prior disciplinary history.

Although Burchard has not been associated with a FINRA member firm since November 2009, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because the Complaint was filed within two years after the date upon which he ceased being a FINRA registrant.

SUMMARY

1. During the period of September 2007 through May 2008, Burchard was the Chief Executive Officer, President, and owner of the now defunct Broad Street with responsibility for supervising, monitoring, and ensuring that Broad Street conducted its business in compliance with all securities laws, rules and regulations.

¹ Broad Street Securities, Inc. ("Broad Street") became registered as a broker-dealer member of FINRA on May 30, 1994. During the period in question, Broad Street derived income from three principal sources including retailing corporate equity securities, mutual fund retail sales and options business; it employed approximately 21 registered persons; and operated from its main office in Birmingham, MI, six branch offices and three non-registered branch locations. On November 4, 2009, Broad Street was expelled from FINRA membership due to its failure to pay fines and/or costs and it is no longer conducting business.

During that period, Broad Street failed to prepare an accurate general ledger, trial balances, and net capital computations for nine months; failed to maintain its minimum net capital requirement for seven months; failed to provide notification of its net capital deficiencies; and failed to accurately prepare three FOCUS reports. In addition, Broad Street failed to abide by its membership agreement by engaging in business activities for which it was not approved and which required a higher net capital that it failed to maintain. Broad Street also failed to timely disclose customer complaints, and failed to amend Forms U4 and U5. Furthermore, Broad Street failed to maintain adequate written supervisory procedures to monitor suspicious activity and failed to implement systems and processes to detect and report suspicious activity. It also failed to conduct an independent review of its Anti-Money Laundering ("AML") Program; failed to perform required reviews of Financial Crimes Enforcement Network ("FinCEN") records; and failed to implement an adequate customer identification program ("CIP"). As Broad Street's President, CEO, Financial Operations Principal, Registered Principal, and Anti-Money Laundering Principal, Burchard failed to establish and enforce written procedures to achieve compliance with the securities laws and regulations.

FINDINGS AND CONCLUSIONS

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

FIRST CAUSE OF ACTION

NASD Conduct Rules 2110 and 3110 by Burchard: Inaccurate General Ledger and Trial Balances

4. The Department realleges and incorporates by reference paragraphs 1 through 3.
5. SEC Rule 17a-3 provides, generally, that every broker-dealer shall make and keep current books and records relating to its business, including but not limited to ledgers, or other records, reflecting all assets and liabilities, income and expense and capital accounts.

6. Broad Street, acting through Burchard, failed to prepare an accurate general ledger and trial balance as of September 28, 2007; October 31, 2007; November 30, 2007; December 31, 2007; January 31, 2008; February 29, 2008; March 31, 2008; April 30, 2008; and May 30, 2008, as required by SEC Rule 17a-3 and NASD Rules 2110 and 3110, due to, among other things:

- a. the understatement of commissions receivable from its clearing broker;
- b. the overstatement of commissions receivable from its clearing broker;
- c. a failure to include commissions payable;
- d. a failure to include on its general ledger all balances due from or owed to its clearing broker;
- e. the overstatement of its cash balance;
- f. the understatement of liabilities;
- g. a failure to accrue as a liability commissions payable;
- h. the overstatement of the allowable portion of deposits receivable; and
- i. a failure to accrue a contingent liability for alleged damages in a customer claim.

7. Broad Street's failure to prepare accurate general ledgers and trial balances, acting through Burchard, were in violation of NASD Conduct Rules 2110 and 3110 by Burchard.

SECOND CAUSE OF ACTION

NASD Conduct Rules 2110 and 3110: Failure to Prepare Accurate Net Capital Computations; Net Capital Deficiencies; and Failure to Provide Notification of its Net Capital Deficiencies

8. The Department realleges and incorporates by reference paragraphs 1 through 7 above.
9. SEC Rule 17a-3(a)(11) provides, generally, that every broker-dealer shall make and keep current books and records relating to its business, including but not limited to a record of the computation of aggregate indebtedness and net capital, as of the trial balance date.

10. Broad Street, acting through Burchard, failed to prepare an accurate computation of net capital under the aggregated indebtedness standard while conducting a securities business as of September 28, 2007; October 31, 2007; November 30, 2007; December 31, 2007; January 31, 2008; February 29, 2008; March 31, 2008; April 30, 2008; and May 30, 2008 due to, among other things, the deficiencies cited in Paragraph 6 above.

11. Broad Street's failure to prepare accurate net capital computations for nine month-end dates constituted separate and distinct violations of NASD Conduct Rules 2110 and 3110 by Burchard.

12. SEC Regulation §240.15c3-1 provides, generally, that every broker or dealer shall at all times have and maintain net capital no less than the greater of the highest minimum requirement applicable to its ratio requirement under (a)(1) of such section, or to any of its activities under paragraph (a)(2) of such section.

13. During the relevant period, Broad Street's Membership Agreement with FINRA dated September 18, 2002, provided that it would operate pursuant to SEC Rule 15c3-1, and provided certain restrictions, including that it maintain minimum net capital in the amount of \$5,000.

14. Broad Street, acting through Burchard, failed to maintain its minimum net capital requirement for months-ending September 28, 2007; November 30, 2007; January 31, 2008; March 31, 2008; and April 30, 2008 as required by SEC Rule 15c3-1, in violation of NASD Conduct Rule 2110 by Burchard.

15. As of October 31, 2007, Broad Street, acting through Burchard, executed more than 10 proprietary trades in its account during a calendar year, which increased its minimum net capital requirement from \$5,000 to \$100,000.

16. As of October 31, 2007, Broad Street, acting through Burchard, failed to meet its minimum

net capital requirement under SEC Rule 15c3-1, in violation of NASD Conduct Rule 2110 by Burchard.

17. As of February 29, 2008, Broad Street, acting through Burchard, executed more than 10 proprietary trades in its account during a calendar year, which increased its minimum net capital requirement from \$5,000 to \$100,000.

18. As of February 29, 2008, Broad Street, acting through Burchard, failed to meet its minimum net capital requirement under SEC Rule 15c3-1, in violation of NASD Conduct Rule 2110 by Burchard.

19. Broad Street, acting through Burchard, failed to provide notification to FINRA when its net capital declined below the minimum required under SEC Rule 15c3-1 for the month-ends for February 2008; March 2008; and April 2008, as required by SEC Rules 15c3-1 and 17a-11, in violation of NASD Conduct Rule 2110 by Burchard.

**THIRD CAUSE OF ACTION
NASD Conduct Rules 2110 and 3110: Inaccurate FOCUS Reports**

20. The Department realleges and incorporates by reference paragraphs 1 through 19.

21. SEC Rule 17a-5(a)(2) requires the filing of a Quarterly FOCUS Report within 17 business days following the end of the calendar quarter.

22. Broad Street, acting through Burchard, failed to prepare and file FOCUS Reports Part IIA for the quarters ending September 2007; December 2007; and March 2008 in that the deficiencies described in paragraph 6 above caused the FOCUS Reports Part II A to be inaccurate, in violation of NASD Rules 2110 and 3110 by Burchard.

**FOURTH CAUSE
NASD Membership and Registration Rule 1017 and NASD Conduct Rule 2110:
Failure to Apply for Approval of Change in Business Operations;
and Failure to Comply With Its Membership Agreement.**

23. The Department realleges and incorporates by reference paragraphs 1 through 22.
24. NASD Membership and Registration Rule 1017 provides generally, that a member shall file an application for approval of changes to its ownership, control, or business operations.
25. Broad Street's Membership Agreement with NASD dated September 18, 2002, provided that it would operate pursuant to SEC Rule 15c3-1 and pursuant to certain restrictions, including that it maintain minimum net capital of \$5,000. Further, under the terms of Broad Street's Membership Agreement, Broad Street was not permitted to effect more than ten transactions in a calendar year for its own investment account.
26. As of October 31, 2007, Broad Street, acting through Burchard, failed to comply with the terms of its Membership Agreement when it acted as a dealer after executing more than ten proprietary trades in its account during a calendar year, during September and October 2007, and during January 2008 through February 2008, thereby increasing its minimum net capital requirement from \$5,000 to \$100,000.
27. Broad Street, acting through Burchard, failed to file an application for approval of a material change in its business operations as originally provided in its Membership Agreement, and a corresponding increase in its minimum net capital requirement, in violation of NASD Conduct Rule 2110 and NASD Membership and Registration Rule 1017 by Burchard.

FIFTH CAUSE OF ACTION
NASD Rules 2110 and 3070, NASD By-Laws Article V, Sections 2 and 3:
Failure to Timely Report a Customer Complaint
or the Settlement of a Customer Complaint

28. The Department realleges and incorporates by reference paragraphs 1 through 27.

29. NASD Rule 3070 requires, in pertinent part, that each member report certain discloseable events within ten business days, and statistical and summary information of customer complaints received by the member on a quarterly basis.

30. From approximately April 15, 2006 through April 3, 2008, Broad Street received nine customer complaints which it failed to report on amendments to Forms U4 or U5, until notified by FINRA staff of the reporting deficiencies, including one lawsuit, two arbitration claims, and six written and telephonic customer complaints. The amendments were reported late between 76 and 682 days.

31. Broad Street, acting through Burchard, failed to report the customer complaints which were discloseable events, within ten business days; and statistical and summary information of customer complaints received by the member on a quarterly basis, in violation of Article V Section 2(a) of FINRA's By-Laws and Conduct Rules 2110 and 3070 by Burchard.

32. In connection with the settlement of the investment-related customer complaints, Broad Street, acting through Burchard, failed to timely amend Uniform Application for Securities Industry Registration or Transfer, Forms U4, to disclose settlements. The amendments were required to be filed within 30 days from when Broad Street knew or should have known about the settlement or judgment.

33. From approximately October 11, 2006 through February 2008, Broad Street, acting through Burchard, failed to report eight matters (four settlements, three arbitration awards and one default judgment), that were required to be disclosed. Broad Street did not make the disclosures until after being notified by FINRA staff of the reporting deficiencies, seven of which were reported late between 19 and 504 days, and one which was never reported.

34. The aforesaid deficiencies constitute separate and distinct violations of NASD By-Laws Article V, Sections 2 and 3, and NASD Conduct Rule 2110 by Burchard.

SIXTH CAUSE
NASD Conduct Rules 3011 and 2110: Anti-Money Laundering Deficiencies

35. The Department realleges and incorporates by reference paragraphs 1 through 34.

36. NASD Rule 3011 provides, in pertinent part, that each member shall develop and implement a written AML program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act.

37. Broad Street, acting through Burchard, failed to develop, establish and implement an adequate AML compliance program in that it:

- a) failed to maintain evidence of the verification of customers' identities for seven accounts that were opened during the period of January 1, 2005 to June 21, 2005;
- b) failed to conduct and/or document adequate independent testing of its AML compliance program and procedures for the years 2005, 2006 and 2007, in that MM, Broad Street's Chief Compliance Officer, conducted the testing. MM was not independent because she performed the AML functions that were tested;
- c) failed to establish procedures to ensure the designation of an AML Compliance Officer to NASD via the NASD contact system;
- d) failed to notify NASD of any changes in the contact information for its AML Compliance Officer in a reasonable amount of time; and
- e) from on or about April 23, 2004 through February 24, 2008, failed to implement an adequate AML training program for its appropriate personnel in that the procedures failed to provide guidelines for:

- (i) detecting and preventing structuring;
 - (ii) identifying certain kinds of transactions as potentially suspicious;
 - (iii) identifying certain types of business as "high risk" for money laundering;
 - (iv) identifying certain countries as "high risk"; and
 - (v) identifying steps the firm will take to investigate and analyze potentially suspicious activity, including transactions involving foreign customers trading in penny stocks with proceeds from the liquidation being transferred out of the accounts.
- f) from approximately April 23, 2004 through February 24, 2008, failed to establish and implement an adequate Customer Identification Program in that it failed to demonstrate the identities of all beneficial owners or to verify the existence of account holder BHHI;
- g) from approximately June 2005 until October 2006, failed to implement an adequate Customer Identification Program and evidence that a due diligence review was performed to verify the identities or beneficial owners of accounts of foreign financial institutions, in that it failed to evidence the verification of identities for three account holders belonging to foreign individuals or entities: MSIL from October 2006 to April 2009 ; FSAB from October 2006 to February 2009; SSA from October 2006 through November 2008; and BMGSA from October 2006 through April 2009;
- h) failed to establish adequate procedures designed to monitor, detect and investigate suspicious activity, in that it failed to detect and investigate suspicious activities in the accounts of BHH&IL in July 2006; MSIL in June 2005; and CVM in October 2006, despite the presence of several red flags noted in the firm's procedures, in violation of NASD Rule 3011;
- i) failed to prepare and maintain exception reports produced to review for unusual activity

in the accounts cited above, in violation of SEC Rule 17a-4(e)(8);

- j) failed to evidence due diligence in opening accounts of foreign financial institutions, MSIL; FSAB; SSA; and BMGSA;
- k) failed to monitor and respond to requests for information from Financial Crimes Enforcement Network (FinCEN) in 49 of 85 instances during the period of January 24, 2005 to March 25, 2008;
- l) failed to establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act, including failure to implement policies and procedures designed to detect and report suspicious activity and to verify the identity of customers, including:
 - (i) detecting and preventing structuring;
 - (ii) identifying certain kinds of transactions as potentially suspicious;
 - (iii) identifying certain types of business as "high risk" for money laundering;
 - (iv) identifying certain countries as "high risk";
 - (v) identifying steps the firm will take to investigate and analyze potentially suspicious activity;
 - (vi) monitoring new rules proposed under Section 311 of the USA PATRIOT Act, and for taking appropriate action when a new rule is enacted under this provision; and
 - (vii) filing requirements for the forms for CTR (Currency Transaction Reports) and CMIR (Currency and Monetary Instrument Transportation Report) and the time frame in which the filings must be done.

38. The deficiencies described in Paragraph 37 constitute violations of NASD Rules 3011(a), (b), (c) and (d), and 2110 by Burchard.

SEVENTH CAUSE
NASD Rule 3010 - Failure to Supervise

39. The Department realleges and incorporates by reference paragraphs 1 through 38.

40. NASD Conduct Rule 3010 provides, in pertinent part, that each member shall establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

41. During the period of September 2007 through May 2008, while Burchard was Broad Street's President and owner, and the firm's Financial Operations Principal and Anti-Money Laundering Compliance Officer, he worked at a location in San Francisco, CA. During that period, Burchard delegated his responsibilities and the day to day operations of Broad Street to MM, a General Securities Representative and a Registered Principal, who worked at Broad Street's main office in Birmingham, MI. The responsibilities that Burchard delegated to MM included the accurate preparation and/or timely filing of computations of the firm's net capital and aggregate indebtedness, general ledgers, trial balances, and FOCUS Reports; maintenance of minimum net capital; reporting of net capital deficiencies; reporting of customer claims, settlements and dispositions, as required by NASD Rule 3070; compliance with Broad Street's Membership Agreement, and compliance with AML requirements, rules and regulations.

42. During the period of September 2007 through May 2008, Burchard failed to reasonably supervise the activities of MM to ensure that MM performed her supervisory responsibilities, including those that Burchard had delegated to her, as described above.

43. The deficiencies cited in Paragraphs 1 through 38 above occurred while MM was responsible for ensuring the activities described in Paragraphs 1 through 38 were conducted in full compliance with FINRA and SEC rules and regulations, as delegated by Burchard. MM did

not understand the regulatory requirements of these activities. Further, she did not understand the complete scope of her responsibilities, and she did not have sufficient tools to adequately and correctly perform her daily responsibilities as delegated to her by Burchard.

44. Burchard's failure to reasonably supervise MM in her performance of the responsibilities that he delegated to her, contributed to the violations cited in Paragraphs 1 through 38.

45. The allegations in Paragraphs 1 through 38 constitute separate and distinct violations of NASD Rule 3010 by Burchard.

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:

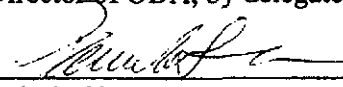
Burchard shall be barred from association with any member of FINRA in any capacity.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

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


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