

DEPARTMENT OF ENFORCEMENT.

Complainant,

v.

IZZETEEN HANIF
(CRD No. 1777495)

Respondent

Disciplinary Proceeding
No. C9B040086

Hearing Officer SW

**ORDER ACCEPTING OFFER
OF SETTLEMENT**

INTRODUCTION

Disciplinary Proceeding No. C9B040086 was filed on or about September 7, 2004, by the Department of Enforcement of NASD ("Complainant"). Respondent Izzeteen Hanif ("Hanif") submitted an Offer of Settlement ("Offer") to Complainant on or about March 7, 2005. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC") or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order is now issued pursuant to 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.

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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 NASD, or to which NASD 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 NASD.

FINDINGS AND CONCLUSIONS

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

1. Hanif has been registered with NASD as a General Securities Representative (Series 7) since 1996; and registered as an Investment Company/Variable Contracts representative (Series 6) since 1998. The misconduct alleged herein occurred while Hanif was registered with Quick & Reilly, Inc. (formerly Summit Financial Services), where Hanif was employed from in or about October 1998 through in or about April 2001.
2. Hanif was voluntarily terminated from Quick & Reilly in or about April 2001 and has been registered with another firm since that date.
3. The unsuitable recommendations charged herein involved three instances wherein Hanif recommended that Quick & Reilly customer, N.R., switch from an annuity or mutual fund to a comparable product within a relatively short period, resulting in the customer paying a substantial back-end transaction charge to sell the existing investment. N.R. is an 85-year old retiree, who lives on a fixed income of \$15,000, comprised of a small pension and social security payments. At the time N.R. began investing with Hanif

in 1997, her net worth was approximately \$360,000. N.R. is a conservative investor, seeking to have sufficient funds in her estate to leave an inheritance to her nieces and nephews. Accordingly, her primary investment objective is, and was during the relevant period, preservation of capital. In total, Hanif's unsuitable recommendations resulted in N.R. paying surrender charges/back-end costs of approximately \$11,000 while generating gross commissions of approximately \$12,700.

4. On or about March 22, 2000, Hanif recommended that N.R. sell a fixed annuity (issued to N.R. by Jackson National Life in January 1997) and use the proceeds to purchase a Putnam Allstate Advisor variable annuity, without having reasonable grounds for believing that such transaction was suitable for N.R. in view of the nature of the recommended transaction, the costs associated with the transaction and in light of N.R.'s financial situation, investment objectives, circumstances and needs.

5. In selling the fixed annuity, customer N. R. incurred a surrender charge of approximately \$4,680, while generating a gross commission of approximately \$6,953 for Hanif and her firm.

6. The fixed annuity satisfied N.R.'s investment objective of preservation of capital, while providing her with a death benefit. By switching N.R. out of the fixed annuity into the variable annuity, Hanif caused N.R. to pay a substantial surrender fee. N.R. was also subjected to a new surrender period with the Putnam variable annuity.

7. In addition, Hanif recommended that N.R. invest in growth sub-accounts within the Putnam variable annuity, which were unsuitable for N.R. and subjected her principal to greater risk.

8. On or about February 13, 2002, Hanif recommended that N.R. sell the Putnam Allstate Advisor variable annuity, described above in the First Cause of Action, and use the resulting proceeds to purchase Class B shares of the Federated Kaufman mutual fund, without having reasonable grounds for believing that such transaction was suitable for N.R. in view of the nature of the recommended transaction, the costs associated with the transaction and in light of N.R.'s financial situation, investment objectives, circumstances and needs.

9. The variable annuity was sold for \$65,992, representing approximately a 33% realized loss based N.R.'s original investment amount. N.R. paid a surrender charge of approximately \$3,576. This unsuitable transaction generated gross commission of approximately \$3,400 for Hanif and her firm.

10. In addition to realizing a significant loss and paying a back-end sales charge, in selling the Putnam variable annuity and buying the Kaufman mutual fund shares, N.R. also forfeited a death benefit of approximately \$99,000.

11. Moreover, Quick & Reilly's compliance procedures in effect the time of this transaction prohibited registered representatives from recommending the sale/switch of a qualified product to a non-qualified product, as was accomplished in this instance by Hanif.

12. In addition, the Federated Kaufman fund that Hanif recommended was an equity fund that was unsuitable for N.R. given N.R.'s primary investment objective of preservation of capital and her financial circumstances and needs.

13. On or about December 20, 1999, Hanif recommended that N.R. sell a Class B mutual fund and use the proceeds to purchase a variable annuity, without having reasonable grounds for believing that such transaction was suitable for N.R. in view of the nature of the recommended transaction, the costs associated with the transactions and in light of N.R.'s financial situation, investment objectives, circumstances and needs.

14. The switch involved the sale of a Federated Municipal Opportunities Fund (Class B shares) (acquired 1/24/98) and purchase of another Putnam Allstate Advisor variable annuity in the amount of \$33,359. In selling the Class B mutual fund shares, customer N. R. incurred a contingent deferred sales charge of \$3,018, while generating a gross commission of approximately \$2,335 for Hanif and her firm.

15. In addition to the CDSC charge, N.R. was subjected to greater risk with the variable annuity given Hanif's recommendation that she invest solely in sub-accounts involving equities. The Federated Municipal Opportunities Fund was a high yield municipal fund that paid dividends and had an annual yield of approximately 4% and was consistent with N.R.'s conservative investment objectives.

16. As a result of this conduct, Hanif violated NASD Conduct Rules 2310 and 2110 and IM-2310-2.

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.

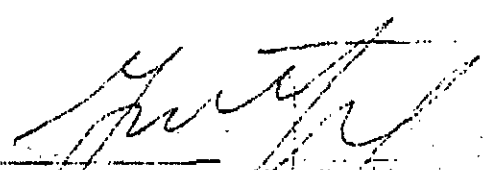
SANCTIONS

It is ordered that the Respondent be suspended from association with any NASD member in any capacity for three (3) months and pay a fine in the amount of \$8,500, which includes disgorgement of commissions of \$6,000. The fine shall be due and payable either immediately upon reassociation with a member firm following the suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

The sanctions imposed herein shall be effective on a date set by NASD Staff.

SO ORDERED.

NASD

By: 

Gary K. Liebowitz, Senior Vice-President &
District Director, on behalf of the Director
of ODA, pursuant to delegated authority