

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

TANVEER A. PARACHA
(CRD No. 4601108),

Respondent.

Disciplinary Proceeding
No. C9B050001

DEFAULT DECISION

Hearing Officer – SW

June 8, 2005

Respondent is barred from associating with any NASD member firm in any capacity for: (1) engaging in unsuitable excessive trading in stocks and options in a customer's account, in violation of IM-2310-2 and NASD Conduct Rules 2310, 2860(b)(19), and 2110; and (2) failing to appear for two on-the-record interviews, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

Appearances

David B. Klafter, Esq., Regional Counsel, Woodbridge, NJ, and Rory C. Flynn, Esq., Of Counsel, Washington, DC, for the Department of Enforcement.

No appearance for Tanveer A. Paracha.

DECISION

I. Introduction

On January 10, 2005, the NASD Department of Enforcement ("Enforcement") filed a two-count Complaint against Respondent Tanveer A. Paracha ("Respondent"). Count one of the Complaint alleges that Respondent, while employed with Continental Broker-Dealer Corp. ("Continental"), engaged in a level of trading activity in customer PS's account that was unsuitable for PS, in violation of IM-2310-2 and NASD Conduct Rules 2310, 2860(b)(19), and 2110. Count two of the Complaint alleges that Respondent

failed to appear for two on-the-record interviews, in violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

On March 22, 2005, Enforcement filed a Motion for Entry of a Default Decision ("Motion"), supported by the declaration of David B. Klafter, Regional Counsel in NASD's Woodbridge, New Jersey office, and by three exhibits.¹ On June 1, 2005, Enforcement supplemented its Motion with a Supplemental Declaration and two additional exhibits.² For the reasons set forth below, Enforcement's Motion, as supplement, is granted.

II. Respondent's Default

On January 7, 2005, Enforcement served the Complaint and Notice of Complaint on Respondent, via certified and first class mail, at his most current residential address as reflected in NASD's Central Registration Depository ("CRD address") and at an alternate address that Respondent provided to the NASD staff during its investigation.³ (CX-1, p. 1; CX-2; DECL at ¶13). Respondent did not answer the Complaint. (DECL at ¶16).

On February 7, 2005, Enforcement served the Second Notice of Complaint and the Complaint, via certified and first class mail, at Respondent's CRD address and the alternate address. (CX-3; DECL at ¶17). Respondent has not filed an answer to date. (DECL at ¶20).

The Hearing Officer finds that Enforcement complied with Rule 9134(b)(1) by sending the mailings to Respondent's CRD address and the alternate address.

¹ Hereinafter, the statements in the Klafter Declaration will be designated as "DECL at ¶" and Enforcement's exhibits will be designated as "CX-" with the appropriate page number.

² The two schedules attached to Enforcement's Supplemental Declaration will be designated as "Supp CX-1" and "Supp CX-2."

³ The CRD address is [REDACTED] 60610. (CX-1, p. 1). The alternate address is [REDACTED] 60661. (DECL at ¶13).

Accordingly, the Hearing Officer finds that Respondent received effective constructive notice of this proceeding and defaulted by failing to answer the Complaint.

III. Findings of Fact and Conclusions of Law

A. Jurisdiction

Respondent became registered as a general securities representative with NASD member Continental on October 30, 2002. (CX-1, p. 3). On December 19, 2003, Continental filed a Form U-5 terminating Respondent's registration. (CX-1, p. 8; DECL at ¶7).

Respondent has not been associated with any NASD member since December 19, 2003, but he remains subject to NASD jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of the NASD By-Laws, because (1) the Complaint was filed on January 10, 2005, within two years after Respondent's association with Continental was terminated, and (2) the Complaint charges Respondent with misconduct while he was associated with Continental and with failures to appear for on-the-record interviews, requested while Respondent was subject to NASD's retained jurisdiction. Accordingly, the Hearing Officer finds that NASD has jurisdiction over Respondent.

B. Excessive Trading/Suitability Violations

The first cause of the Complaint, attached to this Default Decision as Exhibit A, alleges that Respondent violated IM-2310-2, and NASD Conduct Rules 2310, 2860(b)(19), and 2110 by recommending to PS purchase and sale transactions in various stocks and stock options that were excessive and by recommending the use of unsuitable levels of margin. (Complaint at ¶13; DECL at ¶9). As more specifically described in Schedule A to the Complaint, the Complaint alleges that Respondent recommended 99 purchase and sale transactions to PS without having reasonable grounds for believing that

the size and frequency of the transactions were suitable for PS in view of the nature of the account and PS's financial situation and needs. (Id.).

In February 2003, customer PS opened a securities account at Continental (Complaint at ¶6). At the beginning of May 2003, the account value was \$32,560.38, which was supplemented in June 2003 with an additional deposit of \$35,000.⁴ (Supp CX-2). PS's investment objective was income preservation for retirement. (Complaint at ¶11). When he opened the Continental account, PS was married, 40-years old, a father of two young children, and had a total net worth of approximately \$500,000. (Complaint at ¶8). PS was a self-employed manager and owner of a drug store with an annual income of less than \$100,000. (Id.).

Despite PS's conservative investment objective and modest financial position, from May 2003 through July 2003, Respondent recommended 99 transactions in various common stock and options, costing \$554,393, when PS's account had an average monthly equity of \$32,821. (Supp CX-1; Schedule A to Complaint; Complaint at ¶¶13, 14).

Prior to opening his Continental account, PS had no investment experience. (Complaint at ¶9). Accordingly, PS relied on Respondent to make appropriate investment decisions related to PS's account. (Complaint at ¶12).

Following Respondent's recommendations, PS incurred costs resulting in an annualized cost-to-equity ratio⁵ of approximately 300%, and an annualized commission-to-equity ratio of 282%. (Supp CX-1; Complaint at ¶15). In addition, PS incurred an

⁴ On July 10, 2003, PS withdrew \$37,000 from his account. (Supp CX-2).

⁵ Total costs of trading divided by average monthly equity.

annualized turnover ratio⁶ of 67.564. (*Id.*). Respondent earned gross commissions of \$23,165 while PS suffered losses of \$16,078 due to the recommended trading.⁷ (Supp CX-2; Complaint at ¶16). Many of the recommended transactions were effected on margin, resulting in PS paying approximately \$1,464 in margin interest. (Supp CX-1; Complaint at ¶17). Often times, Respondent bought and sold the same securities in one day. (Schedule A to Complaint). By June 2003, PS's account had a margin balance of approximately \$110,748, while the equity in the account was only about \$51,421. (Complaint at ¶17).

Under Rule 9215(f) and Notice to Members 99-77, the allegations of count one of the Complaint are deemed admitted and they are hereby incorporated in this Default Decision as findings of fact.

A representative has an obligation to recommend transactions that are consistent with his customer's best interests.⁸ IM-2310-2, the NASD Board of Governors' policy statement regarding fair dealing, provides, in part, that implicit in all member and registered representative relationships with customers and others is the fundamental responsibility for fair dealing and that practices that clearly violate the responsibility for fair dealing include excessive trading in a customer's account.

NASD Conduct Rule 2310(a) requires members when "recommending to a customer the purchase, sale or exchange of any security, ... [to] have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the

⁶ Total purchases divided by average monthly equity.

⁷ On July 31, 2003, the value of the account was \$14,481.49, which reflected a loss of \$16,078.89 from the amount of PS's May 2003 account value plus the June 2003 deposit minus PS's July 2003 withdrawal. (Supp CX-2).

⁸ Wendell D. Belden Exchange Act Release No. 47,859, 2003 SEC LEXIS 1154, at *11 (May 14, 2003) (citations omitted).

facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.”⁹

Similarly, Rule 2860(b)(19), NASD’s suitability rule for options, provides that “[n]o member or person associated with a member shall recommend to any customer any transaction for the purchase or sale (writing) of an option contract unless such . . . person associated therewith has reasonable grounds to believe upon the basis of information furnished by such customer after reasonable inquiry by the . . . person . . . concerning the customer’s investment objectives, financial situation and needs, and any other information known by such . . . person, that the recommended transaction is not unsuitable for such customer.”

The Securities and Exchange Commission has recognized, “depending on a particular customer’s situation and account objectives, the extent of trading alone may render transactions unsuitable.”¹⁰ Accordingly, “excessive trading represents an unsuitable frequency of trading and violates NASD suitability standards.”¹¹ Excessive trading in an account also constitutes a violation of NASD Conduct Rule 2110’s requirement to observe high standards of commercial honor and just and equitable principles of trade.¹²

⁹ Rule 2310 applies to associated persons pursuant to Rule 0115(a). See also District Bus. Conduct Comm. v. Kunz, No. C3A96009 1999 NASD Discip. LEXIS 20, at *62 (NAC July 7, 1999) (“Conduct Rule 2310 provides that a representative may make only such recommendations as would be consistent with a customer’s financial situation and needs”), aff’d, Kevin D. Kunz, Exchange Act Release No. 45,290, 2002 SEC LEXIS 104 (Jan. 16, 2002).

¹⁰ Daniel Richard Howard, Exchange Act Release No. 46,269, 2002 SEC LEXIS 1909, at *8 (July 26, 2002).

¹¹ See Paul C. Kettler, Exchange Act Release No. 31354, 1992 SEC LEXIS 2750, at *5 (Oct. 26, 1992) (citation omitted).

¹² Id.

The first step in analyzing an allegation of excessive trading is to determine whether the representative controlled the account. A showing of de facto control satisfies the element of control when the client habitually follows the advice of the broker.¹³ Here, PS consistently followed Respondent's recommendations such that Respondent exercised de facto control over PS's account. Having exercised de facto control over the account, Respondent is deemed to have recommended the transactions that he executed in the account.¹⁴

There is no single test for the next step of determining whether the recommended trades constitute excessive trading, rather a number of factors are considered, including: (i) turnover ratio, i.e., total purchases divided by average equity; (ii) cost-to-equity ratio, i.e., total costs charged (commissions, fees, and margin interest) divided by average equity; and (iii) commission-to-equity ratio, i.e., commissions divided by average equity.¹⁵

The Securities and Exchange Commission has held that "a turnover rate of 6 or a cost-to-equity ratio in excess of 20% generally indicates that excessive trading has occurred."¹⁶ Both PS's turnover ratio and the cost-equity ratio far exceeded the excessive trading indicators identified by the SEC. Under Respondent's trading strategy, PS would have had to realize a nearly 300% return on his investments just to break even. (Supp CX-1).

¹³ See Mihara v. Dean Witter & Co., 619 F.2d 814, 821 (9th Cir. 1980).

¹⁴ Clyde J. Bruff, Exchange Act Release No. 40,583, 1998 SEC LEXIS 2266, **6-7 (Oct. 21, 1998).

¹⁵ In re Rafael Pinchas, Exchange Act Release No. 41816, 1999 SEC LEXIS 1754 (Sept. 1, 1999).

¹⁶ Daniel Richard Howard, 2002 SEC LEXIS 1909, at *8.

Another hallmark of excessive trading is “in and out” transactions.¹⁷ Often times, Respondent bought and sold the same securities in one day. (Schedule A to Complaint). Finally, Respondent’s margin and options purchases further exacerbated PS’s risk exposure.

Based on the allegations deemed admitted, the Hearing Officer finds that Respondent violated IM-2310-2 and NASD Conduct Rules 2310, 2860(b)(19), and 2110 by engaging in unsuitable and excessive trading in stocks and options in PS’s account.

C. Respondent Failed to Appear at Two On-the-Record Interviews

The second cause of the Complaint alleges that Respondent failed to appear for two on-the-record interviews that had been scheduled pursuant to NASD Procedural Rule 8210 on March 8, 2004 and March 15, 2004. (Complaint at ¶¶27, 34, 39; DECL at ¶12).

Specifically, on December 17, 2003, the NASD staff sent Respondent a written request for an on-the-record interview to be held on February 12, 2004.¹⁸ (Complaint at ¶21). On February 5, 2004, the NASD staff received a telephone call from Respondent’s attorney, who requested that the on-the-record interview be rescheduled from February 12, 2004 to March 8, 2004. (Complaint at ¶25). On February 5, 2004, the NASD staff granted the request, sending a letter by first class and certified mail to Respondent at his CRD address, confirming March 8, 2004 as the new date for the on-the-record interview. (Complaint at ¶¶25, 26, 28).

In response to the February 5, 2004 letter, Respondent telephoned the NASD staff on March 3, 2004, and: (1) acknowledged his obligation to appear for the March 8, 2004

¹⁷ The term “in and out” trading denotes the sale of all or part of a customer’s portfolio, with the money reinvested in other securities, followed by the sale of the newly acquired securities. (*Id.*)

¹⁸ A copy of the December 17, 2003 request was sent by facsimile to the attorney who represented Respondent at the time. (Complaint at ¶23).

on-the-record interview; (2) explained that his H1 Visa had been revoked;¹⁹ (3) noted that he would be returning to Pakistan within thirty days; and (4) provided an alternative address at which he could be reached during those thirty days.²⁰ (Complaint at ¶32). Respondent failed to appear for the March 8, 2004 on-the-record interview. (Complaint at ¶33).

That same day, the NASD staff sent a letter by first class, certified mail, and Federal Express overnight delivery, to Respondent at his CRD address and his alternate address, advising him that March 15, 2004 had been set as the new date for the on-the-record interview, and warning him that another failure to appear would result in disciplinary action. (Complaint at ¶¶34-36). Respondent failed to appear for the March 15, 2004 on-the-record interview or otherwise respond to the letter. (Complaint at ¶39).

Under Rule 9215(f) and NASD Notice to Members 99-77, the allegations of the second cause of the Complaint are deemed admitted, and they are hereby incorporated into this Default Decision as findings of fact.

Under NASD Procedural Rule 8210, NASD may require any person subject to its jurisdiction to provide information regarding any matter under investigation. The obligation to respond is unqualified. Because NASD lacks subpoena power, Rule 8210 is the means by which NASD carries out its regulatory functions. It is a "key element in the

¹⁹ Respondent's visa to remain in the United States was revoked, and he would be returning to Pakistan within 30 days of March 3, 2004.

²⁰ On March 3, 2004, Respondent's attorney also telephoned the NASD staff and acknowledged receipt of the February 5, 2004 letter scheduling the March 8, 2005 on-the-record interview for Respondent, but the attorney advised the NASD staff that he no longer represented Respondent. (Complaint at ¶31).

NASD's efforts to police its members."²¹ Failure to comply with Rule 8210 requests for information is a serious violation because it subverts the NASD's ability to perform its regulatory responsibilities.²² A violation of Rule 8210 is also a violation of NASD Conduct Rule 2110.²³

Respondent's communication with the NASD staff on March 3, 2004 evidences his actual awareness of the March 8, 2004 on-the-record interview. In addition, the Hearing Officer finds that pursuant to Rule 8210(d), Respondent is deemed to have received the two on-the-record interview requests, which were sent to his CRD address. The Hearing Officer finds that Respondent received adequate notice of both on-the-record interviews, and that he violated NASD Conduct Rule 2110 and NASD Procedural Rule 8210 by failing to appear.

IV. Sanctions

A. Respondent Engaged in Unsuitable Excessive Trading in Violation of NASD Conduct Rules 2310, 2860(b)(19), and 2110, as well as IM-2310-2

For excessive trading, the NASD Sanction Guidelines recommend a fine of \$5,000 to \$75,000, along with a suspension in any or all capacities for 10 business days

²¹ Richard J. Rouse, Exchange Act Release No. 32,658, 1993 SEC LEXIS 1831, at *7 (1993). See also Dep't of Enforcement v. Valentino, No. FPI010004, 2003 NASD Discip. LEXIS 15, at *12 (NAC May 21, 2003), *aff'd*, 2004 SEC LEXIS 330 (Feb. 13, 2004) ("It is well established that because NASD lacks subpoena power over its members, a failure to provide information fully and promptly undermines NASD's ability to carry out its regulatory mandate") (citation omitted); Joseph G. Chiulli, Exchange Act Release No. 42,359, 2000 SEC LEXIS 112, at *16 (Jan. 28, 2000) (noting that Rule 8210 provides a means for NASD to conduct its investigations effectively, and emphasizing that NASD members and associated persons must fully cooperate with requests for information).

²² Id.

²³ See Dep't of Enforcement v. Baxter, No. C07990016, 2000 NASD Discip. LEXIS 3, at **21, 25 (NAC Apr. 19, 2000).

to one year.²⁴ In egregious cases, the Hearing Officer may consider a longer suspension of up to two years or a bar.²⁵

Arguing that Respondent's conduct was egregious, Enforcement recommended that Respondent be barred. Enforcement also requested that Respondent be ordered to pay restitution to PS in the amount of \$16,078.

Based on the specific information available to Respondent regarding PS's financial status, the Hearing Officer finds that Respondent's investment recommendations for PS constituted excessive trading in stocks and options, and were unsuitable for someone of PS's income, net worth, and investment objective.

Accordingly, the Hearing Officer agrees with Enforcement that Respondent's actions were egregious and orders that Respondent be barred from association with any member firm in any capacity and pay restitution to PS in the amount of \$16,078. Restitution is appropriate in this case because PS unjustly suffered a quantifiable loss of \$16,078, for which he has not been compensated, as a result of Respondent's misconduct.²⁶

B. Respondent Failed to Appear at Two On-the-Record Interviews

The NASD Sanction Guideline for failing to comply with requests made pursuant to Rule 8210 states that a bar should be standard where the respondent failed to respond to a request in any manner.²⁷ Enforcement requested, and the Hearing Officer agrees,

²⁴ NASD Sanction Guidelines, p. 82 (2005).

²⁵ Id.

²⁶ The Guidelines generally recognize that, in cases where an identified individual has suffered a quantifiable loss because of a respondent's misconduct, it is appropriate to order the respondent to pay restitution. See Id. at 6. See also Notice to Members 99-86 (providing that NASD generally will require the payment of restitution in sales practice cases where there has been significant and identifiable customer harm).

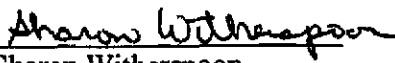
²⁷ NASD Sanction Guidelines, p. 35 (2005).

that the Respondent should be barred. The record contains no evidence of any mitigating factors warranting a lesser sanction.

V. Order

Respondent Tanveer A. Paracha is barred from association with any NASD member firm in any capacity for unsuitable excessive trading and for failing to appear for on-the-record interviews. Respondent is also ordered to pay restitution to customer PS in the total amount of \$16,078, plus interest calculated pursuant to 26 U.S.C. § 6621(2)(2) from the date of the last recommended transaction, July 24, 2003, to the date of payment.

These sanctions shall become effective on a date determined by NASD, but not sooner than 30 days from the date this Decision becomes the final disciplinary action of NASD; except that, if this Decision becomes the final disciplinary action of NASD, the bars shall become effective immediately.


Sharon Witherspoon
Hearing Officer

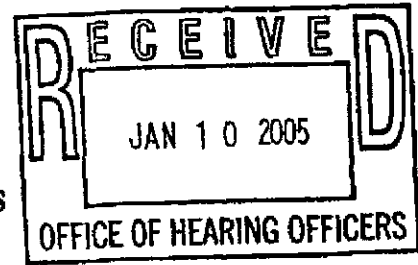
Dated: Washington, DC
June 8, 2005

Copies to:

Tanveer A. Paracha (via Federal Express and first class mail)
David B. Klafter, Esq. (via electronic and first class mail)
John M. D'Amico, Esq. (via electronic and first class mail)
Rory C. Flynn, Esq. (via electronic and first class mail)

EXHIBIT A

**NASD
OFFICE OF HEARING OFFICERS**



DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

**TANVEER A. PARACHA,
(CRD No. 4601108)**

Respondent.

Disciplinary Proceeding
No. C9B050001

Hearing Officer -

COMPLAINT

Upon information and belief, Complainant alleges the following:

1. Respondent Tanveer A. Paracha ("Paracha") became registered with NASD as a Series 7 general securities representative on or about October 29, 2002.
2. From on or about October 22, 2002, through on or about December 19, 2003, Paracha was associated with Continental Broker-Dealer Corp. ("Continental"), a NASD member firm from on or about November 9, 1983, until it was expelled from membership on or about May 6, 2004.
3. On or about December 19, 2003, Continental filed a Form U -5 on behalf of Paracha terminating his employment as of that date.
4. Paracha is not currently registered with any NASD member firm, but is still within the jurisdiction of NASD pursuant to Article V, Section 4, of NASD's By-Laws. NASD retains jurisdiction over Paracha until at least December 18, 2005, which is two years after the date that he was last associated with an NASD member firm.

FIRST CAUSE OF ACTION

PARACHA'S EXCESSIVE TRADING/SUITABILITY VIOLATIONS **Violation of IM-2310-2 and NASD Conduct Rules 2110, 2310 and 2860(b)(19)**

5. Paragraphs 1 through 4 are realleged and are incorporated by reference herein.
6. In or about February 2003, Customer PS received an unsolicited telephone call and agreed to open a securities brokerage account (#[REDACTED]) at Continental.
7. Paracha served as PS's account executive from in or about May 2003 through in or about July 2003.
8. When PS opened his account at Continental, he was forty years old, married, the father of two young children and self-employed as a manager and owner of a drug store. In addition, PS had an annual income of less than \$100,000 and a total net worth of approximately \$500,000.
9. Prior to opening this account, PS had no securities investment experience.
10. PS funded this account with several cash deposits totaling approximately \$90,500.
11. When PS opened this account he was interested in preserving his funds as they were earmarked for his retirement.
12. While Paracha served as his account executive, PS relied on Paracha to make appropriate investment decisions in PS's account.
13. From in or about May 2003 through in or about July 2003, Paracha, while exercising effective control over customer PS's account, effected or caused to be effected numerous and excessive purchase and sale transactions in PS's account, as more fully detailed in Schedule A attached to this Complaint and incorporated herein by reference, without having reasonable grounds for believing that such transactions were suitable for PS in view of the size

and frequency of the transactions, the nature of the account and PS's financial situation, investment objectives and needs.

14. The transactions referred to in paragraph 13 above were excessive, costing a total of approximately \$554,393, while the average monthly equity in the account was approximately \$32,821.

15. Paracha's trading activity in PS's account from in or about May 2003 through in or about July 2003, generated an annualized Cost-to-Equity Ratio (converted to a percentage) of approximately 300%, an annualized Commission-to-Equity Ratio (converted to a percentage) of approximately 282% and an annualized Turnover Ratio of 67.564. Accordingly, PS's account would have had to earn nearly 300% return just to break even.

16. Between May 2003 and July 2003, customer PS paid approximately \$23,165 in commissions, while sustaining losses of approximately \$16,078.

17. Many of the transactions referred to in paragraph 13 above were effected through the use of margin and resulted in PS paying approximately \$1,464 in margin interest. On June 30, 2003, PS's account had a margin balance of approximately \$110,748 while the account's equity was approximately \$51,421.

18. The margin utilized by Paracha in PS's account was unsuitable for PS in view of the size and the nature of the account and PS's financial situation and needs.

19. By reason of the foregoing, Paracha violated IM-2310-2 and NASD Conduct Rules 2110, 2310 and 2860(b)(19).

SECOND CAUSE OF ACTION

FAILURE TO APPEAR FOR TESTIMONY

Violation of NASD Procedural Rule 8210 and NASD Conduct Rule 2110

20. Paragraphs 1 through 19 are realleged and are incorporated by reference herein.
21. On or about December 17, 2003, NASD staff sent Paracha a written request, pursuant to NASD Procedural Rule 8210, requiring him to appear at the District 9-New Jersey office on February 12, 2004, for an on-the-record interview (hereinafter the "December 17th Request").
22. The December 17th Request was sent by first class and certified mail to Paracha at his CRD residential address of record, [REDACTED] (hereinafter "CRD residential address").
23. A copy of the December 17th Request was also sent by facsimile to the attorney who was representing Paracha at the time.
24. The letters sent to Paracha at his CRD residential address and the certified mailing "green card" have not been returned to the District 9-New Jersey office.
25. On February 5, 2004, NASD staff received a telephone call from an attorney who was representing Paracha at the time. During this call, Paracha's counsel acknowledged receipt of the December 17th Request and requested an adjournment of Paracha's on-the-record interview until March 8, 2004. NASD staff granted this adjournment.
26. On February 5, 2004, NASD staff sent Paracha a letter confirming that his on-the-record interview had been rescheduled at the request of his counsel (hereinafter the "February 5th Request").

27. The February 5th Request was issued pursuant to NASD Procedural Rule 8210 and notified Paracha that he was required to appear at the District 9-New Jersey office on March 8, 2004, for an on-the-record interview. The February 5th Request also advised Paracha that if he failed to appear he could be subject to disciplinary action.

28. The February 5th Request was sent by first class and certified mail to Paracha at his CRD residential address.

29. A copy of the December 17th Request was also sent by facsimile to the attorney who was representing Paracha at the time.

30. The letters sent to Paracha at his CRD residential address and the certified mailing "green card" have not been returned to the District 9-New Jersey office.

31. On March 3, 2004, NASD staff received a telephone call from the attorney who was representing Paracha at the time. During this call, Paracha's counsel acknowledged receipt of the February 5th Request and informed NASD staff that he was no longer going to represent Paracha.

32. On that same day, NASD staff received a telephone call from Paracha. During this call, Paracha: (i) acknowledged his obligation to appear for the on-the-record interview on March 8, 2004; (ii) informed NASD staff that his H1 Visa had been revoked; (iii) noted that he was temporarily in the United States on a tourist Visa and that he would be returning to Pakistan in thirty days; and (iv) informed NASD staff that although he still received forwarded mail from his CRD residential address, for the next thirty days, he could be reached at an alternative address, namely [REDACTED] (hereinafter the "Alternative Address").

33. On March 8, 2004, Paracha failed to appear for an on-the-record interview.

34. On March 8, 2004, NASD staff sent Paracha a letter informing him that he failed to appear for the on-the-record interview that was scheduled earlier that day and requested that he appear at the District 9-New Jersey office on March 15, 2004, for an on-the-record interview (hereinafter the "March 8th Request").

35. The March 8th Request was issued pursuant to NASD Procedural Rule 8210 and it notified Paracha that if he failed to appear for an on-the-record interview on March 15, 2004, he could be subject to disciplinary action.

36. The March 8th Request was sent by first class, certified and Federal Express overnight mail to Paracha at his CRD residential address and to the Alternative Address that Paracha had previously provided to the staff.

37. The letters sent to Paracha at his CRD residential address, the letter sent to Paracha by first class mail at the Alternative Address and the certified mailing "green card" have not been returned to the District 9-New Jersey office.

38. NASD staff has, however, received a confirmation from Federal Express reflecting that the letter sent to Paracha at his CRD residential address, by overnight mail, was delivered to that address on March 9, 2004 at 10:09 a.m. and signed by "S.Shin." Additionally, on April 6, 2004, the certified letter sent to Paracha at the Alternative Address was returned to the District office by the United States Postal Service and marked, "Unclaimed." Furthermore, on June 4, 2004, the letter sent to Paracha at the Alternative Address, by overnight mail, was returned to the District office by Federal Express and marked, "Moved."

39. On March 15, 2004, Paracha failed to appear for an on-the-record interview and neither he nor anyone on his behalf have contacted the staff to seek any adjournment.

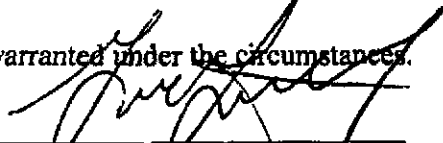
40. By reason of the foregoing, Paracha has violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondent Paracha committed the violations charged and alleged herein;
- B. An order imposing appropriate sanctions upon Respondent Paracha in accordance with NASD Procedural Rule 8310;
- C. An order requiring Respondent Paracha to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Procedural Rule 8330; and
- E. An order granting all further relief that is warranted under the circumstances.

Dated: January 7, 2005



Gary K. Liebowitz
Senior Vice President and District Director
NASD, District 9 - New Jersey
581 Main Street, 7th Floor
Woodbridge, NJ 07095
Tel: (732) 596-2000
Fax: (732) 596-2002



David B. Klafter
Regional Counsel
NASD, District 9 - New Jersey
581 Main Street, 7th Floor
Woodbridge, NJ 07095
Tel: (732) 596-2029
Fax: (732) 596-2001

Of Counsel

Rory C. Flynn
Chief Litigation Counsel
Department of Enforcement
NASD
1801 K Street, N.W., Suite 800
Washington, D.C. 20006
Tel: (202) 974-2874
Fax: (202) 974-8318

John M. D'Amico
Regional Chief Counsel
NASD -- Boston District Office
99 High Street -- Suite 900
Boston, MA 02110
Tel: (617) 532-3428
Fax: (202) 721-6583

EXHIBIT A - TRADES IN PS's ACCOUNT
MAY 2003 THROUGH JULY 2003

Line	Date	Security Name	Buy/Sell	Units	Price	Insects	Options	Cost	Gain
1	5/12/2003	GENERAL ELECTRIC COMPANY	BUY	5	\$14.40	OPTIONS		\$7,466.86	
2	5/12/2003	MICROSOFT CORP	BUY	2	\$4.50	OPTIONS		\$995.21	
3	5/5/2003	GENERAL ELECTRIC COMPANY	SELL	500	\$28.25	COMMON STOCK			\$14,084.33
4	5/5/2003	MICROSOFT CORP	SELL	500	\$24.70	COMMON STOCK			\$12,309.42
5	5/7/2003	DELTA AIR LINES INC DEL	SELL	10	\$3.10	OPTIONS		\$2,845.29	
6	5/7/2003	CISCO SYS INC COM	BUY	5	\$0.55	OPTIONS		\$354.95	
7	5/7/2003	CISCO SYS INC COM	SELL	5	\$4.20	OPTIONS		\$1,950.20	
8	5/7/2003	INTEL CORPORATION	BUY	1	\$1.25	OPTIONS		\$167.33	
9	5/7/2003	INTEL CORPORATION	BUY	4	\$1.25	OPTIONS		\$549.50	
10	5/7/2003	INTEL CORPORATION	SELL	1	\$5.50	OPTIONS		\$493.71	
11	5/7/2003	INTEL CORPORATION	SELL	4	\$5.50	OPTIONS		\$2,094.66	
12	5/9/2003	CISCO SYS INC COM	BUY	1000	\$16.67	COMMON STOCK		\$16,708.00	
13	5/9/2003	INTEL CORPORATION	BUY	1000	\$20.53	COMMON STOCK		\$20,572.00	
14	5/9/2003	DELTA AIR LINES INC DEL	BUY	1000	\$15.74	COMMON STOCK		\$15,780.00	
15	5/13/2003	AOL TIME WARNER INC	BUY	10	\$8.40	OPTIONS		\$8,758.77	
16	5/15/2003	AOL TIME WARNER INC	SELL	1000	\$12.70	COMMON STOCK		\$12,660.40	
17	5/19/2003	ADVANCED MICRO DEVICES	BUY	15	\$0.85	OPTIONS		\$1,441.22	
18	5/19/2003	ADVANCED MICRO DEVICES	SELL	25	\$0.05	OPTIONS		\$75.00	
19	5/21/2003	CISCO SYS INC COM	SELL	5	\$6.40	OPTIONS		\$2,994.01	
20	5/21/2003	E M C CORP MASS	SELL	30	\$2.45	OPTIONS		\$6,876.33	
21	5/21/2003	E M C CORP MASS	BUY	15	\$0.20	OPTIONS		\$390.00	
22	5/23/2003	E M C CORP MASS	BUY	3000	\$9.65	COMMON STOCK		\$28,975.00	
23	5/23/2003	MICROSOFT CORP	BUY	5	\$3.10	OPTIONS		\$1,698.65	
24	5/23/2003	MICROSOFT CORP	SELL	5	\$6.80	OPTIONS		\$3,190.45	
25	5/27/2003	ADVANCED MICRO DEVICES	BUY	1	\$1.05	OPTIONS		\$155.23	
26	5/27/2003	ADVANCED MICRO DEVICES	BUY	24	\$1.05	OPTIONS		\$2,765.60	
27	5/27/2003	ADVANCED MICRO DEVICES	SELL	25	\$1.30	OPTIONS		\$2,891.74	
28	6/2/2003	MICRON TECHNOLOGY INC	SELL	20	\$4.00	OPTIONS		\$7,603.07	
29	6/2/2003	E M C CORP MASS	BUY	30	\$3.60	OPTIONS		\$10,840.00	
30	6/2/2003	MICRON TECHNOLOGY INC	BUY	15	\$0.50	OPTIONS		\$864.25	
31	6/4/2003	E M C CORP MASS	SELL	3000	\$10.52	COMMON STOCK		\$31,518.52	
32	6/4/2003	INTL BUSINESS MACHS CORP	BUY	5	\$0.35	OPTIONS		\$215.00	
33	6/4/2003	MICRON TECHNOLOGY INC	BUY	5000	\$11.85	COMMON STOCK		\$59,295.00	
34	6/5/2003	ADVANCED MICRO DEVICES	SELL	15	\$0.90	OPTIONS		\$1,176.28	
35	6/5/2003	PALM INC COM NEW	SELL	10	\$4.40	OPTIONS		\$4,112.08	

EXHIBIT A - TRADES IN PS's ACCOUNT
MAY 2003 THROUGH JULY 2003

#	Date	Security Name	Buy/Sell	Quantity	Price	Instrmt Type	Cost	Gain/Loss
36	6/5/2003	ADVANCED MICRO DEVICES	BUY	25	\$1.35	OPTIONS	\$3,735.32	
37	6/5/2003	ADVANCED MICRO DEVICES	BUY	10	\$2.45	OPTIONS	\$2,667.27	
38	6/5/2003	PALM INC COM NEW	BUY	5	\$0.25	OPTIONS	\$215.00	
39	6/9/2003	ADVANCED MICRO DEVICES	SELL	5000	\$6.89	COMMON STOCK	\$34,383.38	
40	6/9/2003	PALM INC COM NEW	BUY	1000	\$14.53	COMMON STOCK	\$14,568.50	
41	6/9/2003	MICRON TECHNOLOGY INC	BUY	20	\$5.70	OPTIONS	\$11,440.00	
42	6/9/2003	PALM INC COM NEW	BUY	10	\$6.80	OPTIONS	\$6,840.00	
43	6/10/2003	PMC-SIERRA INC	SELL	25	\$5.60	OPTIONS		\$13,484.09
44	6/10/2003	PMC-SIERRA INC	SELL	10	\$5.70	OPTIONS		\$5,501.63
45	6/10/2003	CARDINAL HEALTH INC	SELL	2	\$7.50	OPTIONS		\$1,382.55
46	6/10/2003	BRISTOL MYERS SQUIBB CO	SELL	2	\$3.20	OPTIONS		\$539.96
47	6/10/2003	MICROSOFT CORP	SELL	5	\$1.45	OPTIONS		\$613.18
48	6/10/2003	PMC-SIERRA INC	BUY	25	\$0.85	OPTIONS	\$2,375.37	
49	6/10/2003	PMC-SIERRA INC	BUY	5	\$0.85	OPTIONS	\$467.08	
50	6/10/2003	CARDINAL HEALTH INC	BUY	3	\$1.50	OPTIONS	\$540.00	
51	6/10/2003	BRISTOL MYERS SQUIBB CO	BUY	3	\$0.60	OPTIONS	\$270.00	
52	6/10/2003	MICROSOFT CORP	BUY	5	\$0.65	OPTIONS	\$415.00	
53	6/11/2003	MICRON TECHNOLOGY INC	SELL	5000	\$13.36	COMMON STOCK	\$66,756.87	
54	6/11/2003	PALM INC COM NEW	SELL	1000	\$16.24	COMMON STOCK	\$16,194.24	
55	6/12/2003	PMC-SIERRA INC	BUY	7000	\$11.96	COMMON STOCK	\$83,785.20	
56	6/12/2003	CARDINAL HEALTH INC	BUY	500	\$65.57	COMMON STOCK	\$32,826.00	
57	6/12/2003	BRISTOL MYERS SQUIBB CO	BUY	500	\$27.82	COMMON STOCK	\$13,950.00	
58	6/13/2003	ABBOTT LABORATORIES INC	SELL	2	\$7.00	OPTIONS	\$1,299.65	
59	6/13/2003	PMC-SIERRA INC	BUY	25	\$6.60	OPTIONS	\$16,540.00	
60	6/13/2003	PMC-SIERRA INC	BUY	10	\$6.50	OPTIONS	\$6,500.00	
61	6/13/2003	ABBOTT LABORATORIES INC	BUY	2	\$0.30	OPTIONS	\$150.00	
62	6/16/2003	INTEL CORPORATION	BUY	5	\$0.55	OPTIONS	\$365.00	
63	6/16/2003	CISCO SYS INC COM	BUY	5	\$0.15	OPTIONS	\$165.00	
64	6/17/2003	MEDAREX INC	SELL	6	\$2.00	OPTIONS	\$1,107.95	
65	6/17/2003	MEDAREX INC	SELL	10	\$2.00	OPTIONS	\$1,913.24	
66	6/17/2003	MEDAREX INC	SELL	34	\$2.00	OPTIONS	\$6,505.04	
67	6/17/2003	PMC-SIERRA INC	SELL	3000	\$12.40	COMMON STOCK	\$37,156.25	
68	6/17/2003	PMC-SIERRA INC	SELL	700	\$12.40	COMMON STOCK	\$8,679.59	
69	6/17/2003	PMC-SIERRA INC	SELL	3300	\$12.40	COMMON STOCK	\$40,918.08	
70	6/17/2003	MEDAREX INC	BUY	10	\$0.30	OPTIONS	\$369.70	

EXHIBIT A - TRADES IN PS's ACCOUNT
MAY 2003 THROUGH JULY 2003

	Date	Symbol	Quantity	Price	Market	Net
71	6/17/2003	MEDAREX INC	BUY	10	OPTION	\$329.70
72	6/17/2003	MEDAREX INC	BUY	10	OPTION	\$329.70
73	6/17/2004	ABBOTT LABORATORIES INC	BUY	500	COMMON STOCK	\$23,773.00
74	6/19/2003	MEDAREX INC	BUY	10000	COMMON STOCK	\$71,767.00
75	6/24/2003	MEDAREX INC	BUY	25	OPTION	\$4,750.73
76	6/24/2003	MEDAREX INC	BUY	25	OPTION	\$5,085.72
77	6/26/2003	MEDAREX INC	SELL	25	OPTION	\$4,743.11
78	6/26/2003	MEDAREX INC	SELL	25	OPTION	\$4,783.12
79	7/7/2003	MEDAREX INC	BUY	25	OPTION	\$5,940.00
80	7/7/2003	MEDAREX INC	BUY	25	OPTION	\$6,150.00
81	7/7/2003	ABBOTT LABORATORIES INC	BUY	2	OPTION	\$1,230.00
82	7/7/2003	BRISTOL MYERS SQUIBB CO	BUY	2	OPTION	\$810.00
83	7/7/2003	CARDINAL HEALTH INC	BUY	2	OPTION	\$2,030.00
84	7/9/2003	ABBOTT LABORATORIES INC	SELL	500	COMMON STOCK	\$21,948.96
85	7/9/2003	BRISTOL MYERS SQUIBB CO	SELL	500	COMMON STOCK	\$13,589.35
86	7/9/2003	CARDINAL HEALTH INC	SELL	500	COMMON STOCK	\$32,998.45
87	7/9/2003	MEDAREX INC MARGIN MAINTENANCE	SELL	10000	COMMON STOCK	\$66,179.90
88	7/18/2003	PMC-SIERRA INC	SELL	30	OPTION	\$1,109.94
89	7/21/2003	MEDAREX INC	SELL	5	OPTION	\$59.99
90	7/21/2003	MEDAREX INC	SELL	10	OPTION	\$199.99
91	7/21/2003	MEDAREX INC	SELL	10	OPTION	\$199.99
92	7/21/2003	MEDAREX INC	SELL	5	OPTION	\$99.99
93	7/21/2003	RANDGOLD & EXPL LTD SPONSORED	BUY	5000	COMMON STOCK	\$56,021.00
94	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	300	COMMON STOCK	\$3,319.84
95	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	133	COMMON STOCK	\$1,489.53
96	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	1000	COMMON STOCK	\$11,199.47
97	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	1000	COMMON STOCK	\$11,199.47
98	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	2400	COMMON STOCK	\$26,878.74
99	7/24/2003	RANDGOLD & EXPL LTD SPONSORED	SELL	167	COMMON STOCK	\$1,870.31