

NASD  
OFFICE OF HEARING OFFICERS

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REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

CARLISS DONALD DYKES  
GENERAL SECURITIES PRINCIPAL  
CRD No. 4103565

RESPONDENT.

DISCIPLINARY PROCEEDING  
No. E062004029602

HEARING OFFICER: SNB

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: May 9, 2007

**INTRODUCTION**

Disciplinary Proceeding No. E062004029602 was filed on November 27, 2006, by the Department of Enforcement of NASD ("Complainant"). Respondent Carliss Donald Dykes submitted an Offer of Settlement ("Offer") to Complainant on April 26, 2007. Pursuant to 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 now is 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.

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

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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.

### **BACKGROUND**

Respondent Carliss Donald Dykes entered the securities industry in November 1999 when he registered with member firm Allstate Financial Services, LLC as an Investment Company and Variable Contracts Products Representative. In December 2000 he terminated his registration with Allstate and registered with member firm Waddell & Reed, Inc. as an Investment Company and Variable Contracts Products Representative. In July 2002, he registered as a General Securities Principal with Waddell & Reed. During all periods mentioned herein, Dykes was a Division Manager for Waddell & Reed and was located in the firm's Dallas, Texas branch office.

In September 2005, Dykes voluntarily terminated his employment with Waddell & Reed, and since that time he has not been registered with any other NASD member firm.

### **FINDINGS AND CONCLUSIONS**

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

*In or about September 2003, Dykes, a Division Manager for Waddell & Reed, hired LaCedric DeShawn Williams as a temporary employee to assist him in providing sales training to financial advisors. Before associating with Waddell & Reed, Williams had previously been registered as a General Securities Representative with another NASD member firm; however,*

while associated with Waddell & Reed, Williams never registered in any capacity.

Despite knowing that Williams was not registered, Dykes instructed Williams to contact customers and discuss investments with them. During the period from December 2003 to February 2004, Williams met with four customers, and based on a recommendation from Williams, the following transactions took place:

- a. Customer K. M. surrendered her United Investors Life Variable Annuity and invested all of the proceeds, \$73,763, in a fixed annuity issued by Allianz Life Insurance Company.
- b. Customer J. D. surrendered her United Investors Life Variable Annuity and agreed to re-invest all of the proceeds, \$35,297, in a variable annuity issued by Nationwide Life and Annuity Insurance Company and distributed by Waddell & Reed; however, because Waddell & Reed rejected her application, Williams sent J. D.'s funds directly to Allianz Life Insurance Company where the customer's funds were invested in a fixed annuity.
- c. Customer A. P. surrendered her United Investors Life Variable Annuity and invested all of the proceeds, \$40,000, in a fixed annuity issued by Allianz Life Insurance Company.
- d. Customers M. M. and E. M. liquidated their respective Waddell & Reed Individual Retirement Accounts and re-invested all of their respective proceeds, \$52,000 and \$45,255, into variable annuities issued by Nationwide Life and Annuity Insurance Company and distributed by Waddell & Reed.

Because Dykes knew that Williams was not registered, when Williams gave him the application and other documents for the transactions involving customer J. D., Dykes assigned the account to another employee in the Dallas office who was registered even though that person had no involvement with J. D.'s transactions. Dykes assigned customers M. M. and E.M. to a second employee in the Dallas office who was registered even though that person had no involvement in the transactions. At the direction of Dykes, the registered representative who Dykes had assigned to handle the accounts of M. M. and E. M. gave Williams a personal check in the amount of \$2,000 as compensation for the sale of the annuities to those customers.

Based on the foregoing, Respondent violated NASD Conduct Rule 2110 and NASD Membership and Registration Rule 1031.

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 be assessed a monetary fine in the amount of \$10,000 and be suspended from association with any NASD member in any capacity for a period of three months.

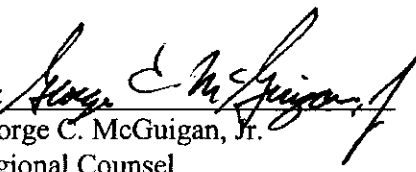
The fine shall be due and payable either immediately upon reassociation with a member firm following the three-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

SO ORDERED.

NASD

By:

  
George C. McGuigan, Jr.

Regional Counsel

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