

**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

GunnAllen Financial, Inc.
CRD No. 17609

and

Richard M. Nummi
CRD No. 2540066

and

Stephen I. Saunders IV
CRD No. 2873747

and

Brian E. Sanders
CRD No. 2743309

Respondents.

Disciplinary Proceeding
No. E072004006101

Hearing Officer: AHP

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

March 6, 2007

INTRODUCTION

Disciplinary Proceeding No. E072004006101 was filed on June 23, 2006, by the Department of Enforcement of NASD ("Complainant"). Respondents GunnAllen Financial, Nummi, Saunders and Sanders (collectively, "Respondents") submitted an Offer of Settlement ("Offer") to Complainant on February 13, 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

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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, Respondents have 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 Respondents' permanent disciplinary record and may be considered in any future actions brought by NASD.

BACKGROUND

Respondent GunnAllen Financial, Inc. was approved as an NASD member on June 10, 1986, was an NASD member during all time periods alleged herein, and currently is an NASD member. In January 2005, pursuant to an AWC, GunnAllen was fined \$30,000 (\$20,000 of which was joint and several with two individuals) by NASD for: AML violations; continuing education violations; Rule 3070 violations; failure to update Forms U-4 and U-5; and recordkeeping violations (Disc. Proc. No C07050004). In May 2003, GunnAllen, pursuant to an AWC, was fined \$7,500 for Rule 3070 violations and failure to update Forms U-4 and U-5 to reflect the settlement of customer arbitration claims against the firm (Disc. Proc. No. C07030033).

Respondent Richard M. Nummi was registered with GunnAllen as a general securities principal and as a general securities representative from July 2003 to November 23, 2005, and served as the firm's chief compliance officer. He first became registered with NASD in

November 1994. Nummi is not currently registered with an NASD member. He has no disciplinary history.

Respondent Stephen I. Saunders IV became registered with GunnAllen as a general securities representative and as a general securities principal in June 2001, and currently is registered with GunnAllen in those capacities. During the relevant time period, Saunders was a principal in GunnAllen's compliance department. Saunders first became registered with NASD in June 1998. In January 2005, pursuant to an AWC, Saunders was fined \$11,250 (joint and several with GunnAllen) for permitting RRs under his supervision to conduct a securities business while CE inactive; failing to report customer complaints to NASD in a timely manner; and failing to ensure that new account forms contained the signature of an appropriate principal (Disc. Proc. No. C07050004).

Respondent Brian E. Sanders was registered with GunnAllen as a general securities representative, a general securities principal, and an options principal, from April 2002 until June 15, 2005, and served as manager of the firm's Haupphauge, New York office. Sanders currently is registered as a general securities representative, a general securities principal, and as an options principal, with another NASD member. Sanders first became registered with NASD in May 1996. Sanders has no disciplinary history.

FINDINGS AND CONCLUSIONS

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

1. From about June 2003 through about March 2004, Respondent GunnAllen, acting through Respondent Nummi, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures reasonably designed to provide a system of supervision for registered representatives with histories of repeated

customer complaints, disciplinary actions, and/or arbitrations, in violation of NASD Conduct Rules 2110 and 3010, as alleged in the First Cause of Complaint.

2. Respondent GunnAllen, acting through Respondent Nummi, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures reasonably designed to prevent and detect unauthorized trading by GunnAllen registered representatives in the firm's Hauppauge, N.Y. office, in violation of NASD Conduct Rules 2110 and 3010, as alleged in the Second Cause of Complaint.
3. Respondent Sanders failed to reasonably supervise the registered representatives in GunnAllen's Hauppauge, New York office, to prevent and detect unauthorized trading, in violation of NASD Conduct Rules 2110 and 3010, as alleged in the Second Cause of Complaint.
4. Respondent GunnAllen, acting through Respondent Saunders, permitted an individual whose registration was CE inactive to effect thirteen customer securities transactions, in violation of NASD Conduct Rules 2110 and 1120, as alleged in the Third Cause of Complaint.
5. From about April 2003, through about January 2004, Respondent GunnAllen, acting through Respondent Saunders, who was responsible for the firm's compliance with the reporting requirements of NASD Conduct Rule 3070, failed to report one customer-related reportable matter as required by NASD Conduct Rule 3070, and failed to report seven customer-related reportable matters within the time period prescribed by Rule 3070, in violation of NASD Conduct Rules 2110 and 3070, as alleged in the Fourth Cause of Complaint.
6. From about May 2003, through February 2004, Respondent GunnAllen, acting through Respondent Saunders, failed to update Forms U-4 or U-5 with respect to five customer complaints or arbitrations against five registered representatives, within 30 days of learning

of said matters, in violation of NASD Conduct Rule 2110 and Article 5, Sections 2 and 3 of the NASD Bylaws, as alleged in the Fifth Cause of Complaint.

7. During 2004, Respondent GunnAllen, acting through Respondent Nummi, failed to enforce the firm's written procedures relating to telecommunications, in violation of NASD Conduct Rules 2110 and 3010, as alleged in the Sixth Cause of Complaint.
8. On several occasions from about March 2004 through about July 2004, Respondent GunnAllen, acting through Respondent Nummi, permitted GunnAllen registered representatives to solicit an individual by telephone after the individual had requested that he be placed on the firm's do not call list, in violation of NASD Conduct Rules 2110 and 2212, as alleged in the Sixth Cause of Complaint.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents 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 following sanctions be imposed:

GunnAllen Financial: \$100,000 fine (\$45,000 of which is joint and several with Respondent Saunders; \$27,500 of which is joint and several with Respondent Nummi; and \$17,500 of which is joint and several with Respondents Nummi and Sanders).

Respondent Nummi:

- (1) \$45,000 fine (\$27,500 of which is joint and several with GunnAllen; and \$17,500 of which is joint and several with GunnAllen and Respondent Sanders); and
- (2) a 60 day suspension from association with any NASD member in any capacity that requires registration as a principal.

Respondent Saunders:

- (1) a \$45,000 fine joint and several with GunnAllen; and
- (2) a 60 day suspension from association with any NASD member in any capacity that requires registration as a principal.

Respondent Sanders:

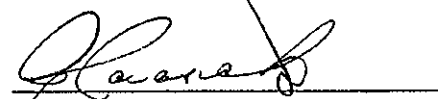
- (1) a \$17,500 fine joint and several with GunnAllen and Nummi; and
- (2) a 10 business day suspension from association with any NASD member in any capacity that requires registration as a principal.

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

SO ORDERED.

NASD

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



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