

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

DENNIS JORDAN
(CRD No. 1420210),

Respondent.

Disciplinary Proceeding
No. E0720050057-01

Hearing Officer—Andrew H. Perkins

DEFAULT DECISION

October 10, 2008

Respondent is barred from associating with any FINRA member firm in all principal capacities and fined \$40,000 for failing to establish, maintain, and enforce an adequate supervisory system and procedures, in violation of NASD Conduct Rules 2110 and 3010. Respondent is fined \$10,000 for failing to implement adequate anti-money laundering procedures, in violation of NASD Conduct Rules 2110 and 3011, and MSRB Rule G-4 1. And, Respondent is fined \$10,000 for failing to update his Form U4, in violation of NASD Conduct Rules 2110 and 3070.

Appearances

Jacqueline D. Whelan, Regional Chief Counsel, San Francisco, CA, for the Department of Enforcement.

No appearance by or for Dennis Jordan.

DECISION

I. INTRODUCTION

The Department of Enforcement (“Enforcement”) for the Financial Industry Regulatory Authority (“FINRA”) initiated this disciplinary proceeding following its 2005 routine examination of FINRA member firm Independent Securities Investors Corporation (“ISIC”). The Amended Complaint, filed on March 4, 2008, charges Dennis Jordan (“Jordan” or the “Respondent”), the former President and Chief Compliance Officer for ISIC, with: (1) failure to establish, maintain, and enforce an adequate supervisory system and written supervisory

procedures; (2) failure to preserve electronic communications; (3) failure to implement an adequate anti-money laundering (“AML”) program; and (4) failure to report a customer complaint to FINRA. A copy of the Amended Complaint is attached to this Decision as Exhibit A.

II. PROCEDURAL HISTORY

Enforcement filed the original Complaint on February 14, 2008, and served Jordan with copies of the Complaint, Notice of Complaint, and Second Notice of Complaint at his most current residential address listed in the Central Registration Depository System (the “CRD Address”). Thereafter, Enforcement realized that some text had been deleted inadvertently from the Complaint during the final editing process. Accordingly, on March 4, 2008, Enforcement served the Respondent with the First Notice of Amended Complaint by first-class certified mail addressed to Jordan’s CRD Address. When Jordan did not respond, Enforcement served him with the Second Notice of Amended Complaint on April 2, 2008. Enforcement sent copies of the Complaint and the Second Notice of Amended Complaint to Jordan at the CRD Address by first-class certified mail.¹ To date, Jordan has not filed an Answer or otherwise responded to the Complaint.

On May 23, 2008, Enforcement filed a motion for entry of default decision because Jordan had not answered the Complaint or Amended Complaint. After reviewing the evidentiary record, the Hearing Officer denied Enforcement’s motion and granted Enforcement leave to supplement the motion, which Enforcement did on August 1, 2008.

III. JURISDICTION

Jordan began his career in the securities industry in 1985, and, in September 1986, he became registered as a General Securities Representative with FINRA. In April 1995, Jordan also became registered as a General Securities Principal. From September 1986 until February

¹ Supplemental Decl. ¶¶ 27-32.

15, 2006, Jordan was registered and associated with a series of FINRA member firms. Jordan's last registration with FINRA terminated on March 24, 2006, after FINRA canceled ISIC's membership for failure to pay fees.² Jordan has not been associated with a FINRA member firm since February 15, 2006, when he left ISIC.³

FINRA retains jurisdiction to bring a disciplinary proceeding against a formerly registered individual based upon conduct that commenced before the individual's registration terminated. Enforcement must file a complaint against a formerly registered individual no later than two years after the effective date of the termination of the individual's registration pursuant to Section 3(a) of the FINRA By-Laws.⁴ Here, Enforcement filed the original Complaint on February 14, 2008, within two years after Jordan's last registration terminated, and the Complaint charges Jordan with violations of NASD Conduct Rules that commenced while he was associated with ISIC and registered with FINRA. Accordingly, FINRA has jurisdiction of this proceeding.

IV. RESPONDENT'S DEFAULT

The Hearing Officer finds that Jordan defaulted by failing to answer or otherwise respond to the Amended Complaint within the time required by Procedural Rule 9215.⁵ Enforcement's Motion for Entry of Default Decision, supporting declaration, and exhibits show that Enforcement properly served Jordan with copies of the Amended Complaint in accordance with

² Supplemental Ex. 1.

³ Enf. Decl. ¶¶ 6-7.

⁴ See Article V, Section 4(a) of the FINRA By-Laws, *available at* www.finra.org/Rules (then follow "NASD Manual" hyperlink to "Corporate Organization: Bylaws"). Although ISIC did not file a Uniform Termination Notice for Securities Industry Registration (Form U5) for Jordan pursuant to Section 3(a) of the FINRA By-Laws, nonetheless FINRA declared his registrations terminated effective March 24, 2006. (Enf. Decl. ¶¶ 6-7.) Thus, the period of extended jurisdiction commenced on March 24, 2006. However, even if the date his association with ISIC terminated were used to calculate the period of extended jurisdiction under Section 4 of the FINRA By-Laws, Enforcement filed the Complaint timely.

⁵ The FINRA Rules, which include NASD Procedural and Conduct Rules, are available at www.finra.org/Rules.

Procedural Rule 9134(b)(1). Accordingly, the Hearing Officer grants Enforcement's Supplemental Motion for Entry of Default Decision.⁶

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. Background

This disciplinary proceeding originated from the 2005 routine examination of ISIC and a concurrent branch examination of its New York office. The examinations commenced in April 2005 and included on-site inspections of both the main office in Florida and the branch office in New York, NY ("NY Office"). FINRA conducted the concurrent branch examination because FINRA staff had learned that registered persons of ISIC, primarily in New York, appeared to be soliciting purchases of promissory notes in transactions outside the regular course and scope of their employment with the firm. During the examinations, FINRA obtained ISIC's written supervisory and operational procedures, its written compliance guidelines, various personnel lists and employment agreements, and diagrams of the NY Office. FINRA examiner Daniel Gibbons ("Gibbons") was the lead examiner.

Following the on-site visits, FINRA interviewed Jordan and obtained written information from Steve Gray ("Gray") and Fred Fleisher ("Fleisher"), both of whom worked in the NY Office. However, ISIC was not able to provide copies of its electronic communications because it did not preserve such records.⁷

ISIC established the NY Office on or about April 30, 2004, pursuant to an agreement with Gray, who was a General Securities Principal with a broker-dealer owned and controlled by Charter One Capital Holdings, Inc. ("Charter One").⁸ Under their arrangement, the NY Office operated as an independent or "franchise" branch office, and ISIC treated all of the registered

⁶ The factual findings in this Default Decision are based on the attached Amended Complaint, the factual allegations of which are deemed admitted pursuant to Procedural Rule 9215(f), and on the declaration and exhibits Enforcement filed with the Supplemental Motion for Entry of Default Decision.

⁷ Supplemental Decl. ¶ 10; Gibbons Decl.

⁸ Supplemental Ex. 3; Supplemental Decl. ¶ 11.

representatives in that office as independent contractors.⁹ ISIC maintained the NY Office from about May 1, 2004, until June 1, 2005.

The addition of the NY Office significantly altered the nature and quantity of the business ISIC conducted. The size of the firm nearly doubled and the NY Office solicited transactions in over-the-counter securities. Before the acquisition of Charter One's operations and registered representatives, ISIC had not emphasized low-priced securities. ISIC's supervisory requirements further changed as a result of the Charter One agreement because several of the registered representatives it acquired from Charter One had disciplinary histories, which meant they required heightened supervision.

B. Supervisory Violations

1) Legal Standard

Conduct Rule 3010(a) requires each member to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules.¹⁰ Rule 3010(a) requires a member's supervisory system to include certain elements, such as providing for: "[t]he designation ... of an appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the member for each type of business in which it engages; ... [t]he assignment of each registered person to an appropriately registered representative(s) and/or principal(s) who shall be responsible for supervising that person's activities; and ... [r]easonable efforts to determine that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities."¹¹ The supervisory system must be tailored specifically to the member's business and must address the activities of all of its registered representatives and associated persons.¹² "Whether a particular supervisory system or set of written procedures is in

⁹ ISIC conducted business out of the NY Office under the names Charter One and Concord Private Client Group.

¹⁰ *E.g.*, *Castle Sec. Corp.*, Exchange Act Release No. 52,580, 2005 SEC LEXIS 2628, at *7 (Oct. 11, 2005).

¹¹ NASD Conduct Rule 3010(a)(2), (5), and (6).

¹² NASD Notice to Members 99-45, 1999 NASD LEXIS 20, at *5 (June 1999).

fact 'reasonably designed to achieve compliance' depends on the facts and circumstances of each case."¹³

Conduct Rule 3010(b) requires each member to establish, maintain, and enforce written supervisory procedures that are reasonably designed to ensure such compliance.¹⁴ A firm's written supervisory procedures memorialize a firm's supervisory system; they "describe the actual supervisory system established by the firm to achieve compliance with applicable rules and regulations."¹⁵ Hence, the written supervisory procedures should include a description of the controls and procedures the firm uses to deter and detect improper activity.¹⁶

2) Inadequate System and Procedures for the NY Office

In the first cause of the Amended Complaint, Enforcement alleged that Jordan failed to establish and maintain a supervisory system and procedures reasonably designed to achieve ISIC's compliance with applicable laws, rules, and regulations with respect to the business conducted in the NY Office. Enforcement alleged that ISIC's supervisory system and procedures were deficient in four salient respects. First, Jordan did not modify ISIC's supervisory system and procedures to address the size of, and types of business conducted by, the NY Office.¹⁷ The acquisition of the NY Office nearly tripled the number of registered representatives at ISIC,¹⁸ and following the acquisition, the NY Office represented more than 75% of the firm's total revenue. Second, ISIC's system and procedures failed to designate a person responsible for the supervision of registered representatives in the NY Office.¹⁹ Jordan testified during his on-the-

¹³ *Kresge*, 2007 SEC LEXIS 1407, at *27 (quoting *La Jolla Capital Corp.*, 54 S.E.C. 275, 281 & n.15 (1999)).

¹⁴ *La Jolla Capital Corp.*, Exchange Act Release No. 41,755, 1999 SEC LEXIS 1642, at *13 (Aug. 18, 1999); *District Bus. Conduct Comm. v. Lobb*, No. C07960105, 2000 NASD Discip. LEXIS 11, at *16 (N.A.C. Apr. 6, 2000) (citation omitted).

¹⁵ NASD Notice to Members 98-96, 1998 NASD LEXIS 121, at *6 (Dec. 1998).

¹⁶ *Id.*

¹⁷ Supplemental Decl. ¶ 13(b)(xii).

¹⁸ Supplemental Decl. ¶ 13(b)(ii).

¹⁹ Supplemental Decl. ¶ 13(a).

record interview on November 30, 2005,²⁰ that he designated Fleisher as the supervisor of the NY Office, which Fleisher denies and the firm's written supervisory procedures²¹ do not support. Third, ISIC's system and procedures were not designed to achieve compliance by the NY Office with rules applicable to communications with the public.²² Fourth, ISIC's procedures did not address required heightened supervision of the registered representatives in the NY Office with disciplinary histories.²³ Jordan testified in his on-the-record interview that there were seven employees in the NY Office that FINRA had identified as requiring heightened supervision.

The Hearing Officer finds that the allegations in the Amended Complaint along with the other evidence Enforcement submitted demonstrate that Jordan failed to establish and maintain an adequate supervisory system, as required by NASD Conduct Rule 3010(a), and failed to establish, maintain, and enforce written supervisory procedures, as required by NASD Conduct Rule 3010(b). The Hearing Officer further finds that Jordan thereby violated NASD Conduct Rule 2110, which requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade."

C. Failure to Preserve Electronic Communications

In the second cause of the Amended Complaint, Enforcement alleged that Jordan failed to establish, maintain, and enforce written supervisory procedures requiring ISIC to preserve electronic communications regarding its business. ISIC's Written Supervisory Procedures Manual does not contain such a requirement although ISIC did use e-mail to communicate with its clearing firm and individuals at the firm used e-mail to conduct firm business.²⁴

The Hearing Officer finds the allegations of the Second Cause of the Amended Complaint sufficient to establish that Jordan violated NASD Conduct Rules 3010 and 2110 by

²⁰ Supplemental Ex. 5.

²¹ Supplemental Ex. 4.

²² Supplemental Decl. ¶ 13(c).

²³ Supplemental Decl. ¶ 13(d).

²⁴ Supplemental Decl. ¶ 15.

failing to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with the recordkeeping requirements of Exchange Act Rule 17a-4. Accordingly, the Hearing Officer finds that Jordan violated NASD Conduct Rules 3010(a), 3010(b), and 2110.

D. Deficient Anti-Money Laundering Compliance Program

In the third cause of the Amended Complaint, Enforcement alleged that Jordan failed to develop and implement a written AML compliance program. Jordan was ISIC's AML compliance officer.

ISIC's draft policies were never approved by the firm's senior management. Rule 3011 requires that AML programs be approved by senior management. In addition, the draft procedures were incomplete. For example, they failed to describe the procedures to be used to prevent the receipt of currency. The provision stated, "Our firm prohibits the receipt of currency and has the following procedures to prevent its receipt {Describe}."²⁵ ISIC appears to have copied portions of the FINRA small firm template without adapting it to the firm's business.

In addition, ISIC's AML Program did not contain required independent testing procedures.²⁶ The draft policies did not identify the records to be made and kept in connection with the testing of the AML procedures or address how it would test AML compliance at the NY Office.

The Hearing Officer finds the allegations of the Third Cause of the Amended Complaint sufficient to establish that Jordan violated NASD Conduct Rules 3011 and 2110 and MSRB Rule G-41 by failing to implement an AML program reasonably designed to achieve and monitor compliance with its obligations under the Bank Secrecy Act and related Department of Treasury regulations.

²⁵ Supplemental Decl. ¶ 20.

²⁶ Supplemental Decl. ¶ 22.

E. Failure to Report Customer Complaint

In the fourth cause of the Amended Complaint, Enforcement alleged that Jordan failed to report that he received a Statement of Claim filed with FINRA's Office of Dispute Resolution in December 2004, in which two customers alleged that a former ISIC registered representative had committed sales practice violations in connection with their account. ISIC was required to report the Statement of Claim on ISIC's quarterly reports under Rule 3070(c) because it was a "written grievance by a customer involving the [firm] or a person associated with the [firm]."

The Hearing Officer finds the allegations of the fourth cause of the Amended Complaint sufficient to establish that Jordan violated NASD Conduct Rules 3070(c) and 2110 by failing to report the customers' complaint.

VI. SANCTIONS

A. Supervision Violations—First and Second Causes of Action

The Hearing Officer considered the FINRA Sanction Guidelines ("Sanction Guidelines") principal considerations and the specific considerations for each violation in deciding upon the appropriate sanctions in this case. The Sanction Guidelines for failing to supervise recommend, in egregious cases, suspending the responsible individual in any or all capacities for up to two years or imposing a bar. The Sanction Guidelines further recommend the imposition of a fine between \$5,000 and \$50,000.²⁷ The Sanction Guidelines for deficient supervisory procedures recommend a fine between \$1,000 and \$25,000, and, in egregious cases, suspending the responsible individual in any or all capacities for up to one year.²⁸

The Hearing Officer concluded that Jordan should be barred in all principal capacities and fined \$40,000 for his failure to implement an adequate supervisory system and procedures for the NY Office. The record sufficiently demonstrated a number of "red flags" concerning the NY Office's business and personnel, which Jordan ignored. In summary, Jordan should have

²⁷ FINRA Sanction Guidelines 108 (2007) (Failure to Supervise), <http://www.finra.org/RegulatoryEnforcement/FINRAEnforcementMarketRegulation/FINRASanctionGuidelines/index.htm>.

²⁸ Sanction Guidelines 109 (Deficient Written Supervisory Procedures).

responded to the following factors: (1) the NY Office sales force had a number of registered representatives with a disciplinary history; (2) the NY Office, which was remote from ISIC's main office, became the center of the firm's sales activities after the acquisition of Charter One; (3) the firm's membership agreement with FINRA limited the number of registered representatives who were permitted to sell securities to the public to ten, and the NY Office alone had more than ten registered representatives; (4) the NY Office sold a high volume of low-priced securities; (5) the NY Office operated under a different name than the firm's name; and (6) the agreement with Gray governing the operation of the NY Office gave him considerable autonomy in operating the branch, including the hiring and compensation of brokers, and Jordan was unfamiliar with the practices and policies Gray implemented. Given these factors, Jordan had the responsibility to modify ISIC's supervisory system to address these issues, which he did not.

In addition, the Hearing Officer took into consideration that Jordan permitted Gray to run the NY Office without adequate oversight. Jordan testified at his on-the-record interview that he believed Fleisher was the supervisor for the NY Office. But the firm's Written Supervisory Procedures Manual did not designate Fleisher as the supervisor, and Fleischer denied that he had any supervisory authority and responsibility.

Finally, the Hearing Officer took into consideration Jordan's relevant disciplinary history. In May 2006, Jordan consented to findings that he violated Section 5 of the Securities Act, Exchange Act Rules 10b-5, 17a-3 and 17a-4, and NASD Conduct Rules 2110, 3010 and 3110 by engaging in an unregistered distribution, omitting to disclose material information, failing to make and keep required records, failing to supervise another individual in a manner reasonably designed to prevent fraudulent sales practices and failing to establish a supervisory system reasonably designed to achieve compliance with recordkeeping and confirmation requirements.

B. Deficient AML Program—Third Cause of Action

There are no Sanction Guidelines specifically addressing AML violations, however the Hearing Officer found the considerations set forth in the Sanction Guidelines for deficient written supervisory procedures relevant.

Here there is no evidence that ISIC's deficient AML program contributed to any violative conduct. There was no allegation of any suspicious transactions, and Enforcement represented that the firm's compliance with the requirements for customer identification and the monitoring and reporting of suspicious activity appeared adequate. On the other hand, the deficiencies in ISIC's AML procedures—lack of senior management approval, inadequate testing procedures, and lack of control procedures to detect and prevent the unauthorized receipt of cash—are significant. Accordingly, the Hearing Officer will fine Jordan \$10,000 for this violation.

C. Reporting Violation—Fourth Cause of Action

The Sanction Guidelines for failing to report an event under NASD Conduct Rule 3070 recommend a fine of \$5,000 to \$100,000 and a suspension in all supervisory capacities for 10 to 30 business days. In egregious cases, the Sanction Guidelines recommend considering suspending the responsible principal in all capacities for up to two years, or barring the responsible principal in all supervisory capacities.²⁹

In setting the appropriate sanction for this violation, the Hearing Officer took into consideration the fact that Jordan failed to report the customer claim when FINRA was actively investigating his prior supervisory violation. Had Jordan disclosed the claim, that information would likely have been factored into the outcome of the earlier disciplinary proceeding. Accordingly, the Hearing Officer concluded that more than a minimum sanction is warranted. Therefore, the Hearing Officer will fine Jordan \$10,000 and suspend him in all supervisory capacities for ten business days. However, in light of the principal bar imposed for the supervisory violations, the Hearing Officer will not impose the suspension for this violation.

²⁹ Sanction Guidelines 78 (Reportable Events under Conduct Rule 3070).

VII. ORDER

Dennis Jordan is barred in all principal capacities for his failure to establish, maintain, and enforce an adequate supervisory system and procedures, as alleged in the First and Second Causes of the Amended Complaint. In addition, Jordan is fined a total of \$60,000 (\$40,000 for the supervision violations under the First and Second Causes of the Amended Complaint, \$10,000 for the failure to implement adequate AML procedures under the Third Cause of the Amended Complaint, and \$10,000 for the Rule 3070 reporting violation under the Third Cause of the Amended Complaint).

The fines shall be due and payable if and when Jordan associates with a FINRA member firm in any capacity, but not sooner than 30 days after this Decision becomes the final disciplinary action of FINRA. The bar shall be effective immediately if this Decision becomes FINRA's final disciplinary action.



Andrew H. Perkins
Hearing Officer

Copies to:

Dennis Jordan (by FedEx, overnight delivery, and first-class mail)
Jacqueline D. Whelan, Esq. (by first-class and electronic mail)
David R. Sonnenberg, Esq. (by electronic mail)
Mark P. Dauer, Esq. (by electronic mail)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Dennis Jordan,
(CRD No. 1420210),

Respondent.

DISCIPLINARY PROCEEDING
No. E0720050057-01



AMENDED COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. This Amended Complaint sets forth allegations of rule violations by Dennis Jordan, the president and chief compliance officer of former FINRA member Independent Securities Investors Corporation (ISIC) during the period relevant to the charges.

Those violations are:

- a. failing to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with laws, rules and regulations applicable to the business of ISIC's New York, NY office and the activities of persons conducting a securities business in that office;

- b. failing to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with the Exchange Act Rule 17a-4 requirement to preserve electronic communications related to ISIC's business as such;
- c. Failing to develop and implement a written anti-money laundering compliance program reasonably designed to achieve compliance with ISIC's obligations under the Bank Secrecy Act, implementing regulations promulgated thereunder and FINRA and MSRB rules; and
- d. Failing to report a customer complaint pursuant to NASD Conduct Rule 3070.

BACKGROUND

2. From on or about May 1, 2004, through on or about June 1, 2005, ISIC maintained a Branch Office in New York, NY (NY office). The NY office was a "franchise" branch that paid its own expenses and was operated pursuant to a written agreement (Agreement) executed on or about April 30, 2004 by Respondent Jordan on behalf of ISIC and SG, a registered principal, on behalf of Charter One Capital Holding, Inc. (COCH), identified as the "Contractor" in the Agreement. The representatives and principals in the NY office were independent contractors. Pursuant to the Agreement, COCH was responsible for providing (i) start-up costs, (ii) furniture, fixtures and other items necessary to operate the office and (iii) both registered and unregistered personnel. COCH was also responsible for "[c]onducting a securities business under the name of Independent Securities Investors Corporation dba [COCH] and Independent Securities Investors Corporation dba Concord Private Client Group." ISIC was not responsible for any expenses incurred by the NY office.

3. In June 2005, the NY office was closed. ISIC filed a Form BDW withdrawing from membership on or about February 15, 2006. The Form BDW was signed by Respondent Jordan as President of the firm.

JURISDICTION

4. Respondent Jordan first entered the securities business in 1986 as a general securities representative of a member of FINRA, formerly known as National Association of Securities Dealers, Inc. or NASD. Respondent Jordan first qualified as a general securities principal in April 1995. From 1986 until February 15, 2006, Respondent Jordan was continuously registered with FINRA members as a general securities representative, a general securities principal or in both capacities. His most recent association ended on February 15, 2006 when his then-employer ceased business. On March 24, 2006, FINRA entered the termination of Respondent Jordan's registrations as a general securities representative and principal into the Central Registration Depository system with the notation "T_NOU5." Respondent Jordan has not been associated with a member of FINRA since February 15, 2006. FINRA has jurisdiction to bring this action pursuant to Article V, Section 4 of its By-laws.
5. During the period relevant to this Complaint, Respondent Jordan was the president of Independent Securities Investors Corporation (ISIC), formerly a member of FINRA, and the firm's chief compliance officer. ISIC's main office was in Florida.

FIRST CAUSE OF ACTION

(Failure to Establish and Implement Supervisory System and Establish, Maintain and Enforce Supervisory Procedures, NASD Conduct Rules 3010 and 2110)

6. The Department realleges and incorporates by reference paragraphs 1-5 above.

7. During the period that ISIC maintained the NY office, Jordan was the ISIC principal responsible for establishing and maintaining ISIC's supervisory system and establishing, maintaining and enforcing its written supervisory procedures.
8. Jordan failed to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, reasonably designed to achieve ISIC's compliance with applicable laws, rules and regulations with respect to the business conducted in the NY office and the activities of associated persons in the NY office.
Jordan failed to:
 - a. Incorporate into ISIC's supervisory system and procedures provisions that addressed supervisory considerations associated with the establishment of an office with a significant number of registered and associated persons doing a varied securities business at a substantial distance from the firm's home office and management;
 - b. Establish a system and procedures that identified the persons responsible for the supervision of registered representatives in the NY office and the securities activities in which they engaged and described the supervisory duties assigned to each such supervisor;
 - c. Establish a system and procedures reasonably designed to achieve compliance by the NY office with rules applicable to communications with the public, including NASD Conduct Rule 2210; and
 - d. Establish, maintain and enforce written procedures for the supervision of persons associated with the NY office who required heightened supervision.

9. The failure to establish and maintain a supervisory system, as described in paragraph 8 above, constituted a violation of NASD Conduct Rule 3010(a) by Respondent Jordan. The failure to establish, maintain and enforce written supervisory procedures, as described in paragraph 8 above, constituted a violation of NASD Conduct Rule 3010(b) by Respondent Jordan. Respondent Jordan's violations of NASD Conduct Rules 3010(a) and 3010(b) constituted conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110.

SECOND CAUSE OF ACTION

(Failure to Establish and Maintain a Supervisory System, and Establish, Maintain and Enforce Written Supervisory Procedures, Reasonably Designed to Achieve Compliance with Exchange Act Rule 17a-4, NASD Conduct Rules 3010(a), 3010(b) and 2110)

10. The Department realleges and incorporates by reference paragraphs 1-5 and 7-9, above.
11. During the period from on or about January 1, 2004, through on or about December 31, 2005, persons associated with ISIC communicated electronically with ISIC's clearing firm, FINRA and other ISIC employees concerning the business of ISIC as such. Exchange Act Rule 17a-4 required ISIC to preserve such communications as specified in paragraph (b)(4) of that Rule.
12. During the period from on or about January 1, 2004, through on or about December 31, 2005, Respondent Jordan was responsible for establishing and maintaining a supervisory system, and establishing, maintaining and enforcing written supervisory procedures, reasonably designed to achieve compliance with Exchange Act Rule 17a-

4 as it pertains to the preservation of electronic communications. Respondent Jordan failed to fulfill this responsibility.

13. The failure to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with Exchange Act Rule 17a-4 as it pertains to the preservation of electronic communications constituted violations of NASD Conduct Rules 3010(a) and 3010(b), respectively, by Respondent Jordan. Further, such conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Jordan.

THIRD CAUSE OF ACTION

(Deficiencies in Written Anti-Money Laundering Compliance Program, NASD Conduct Rules 3011 and 2110 and MSRB Rule G-41)

14. The Department realleges incorporates by reference paragraphs 1-5, 7-9 and 11-13, above.
15. Respondent Jordan was responsible for ISIC's compliance with NASD Conduct Rule 3011 and MSRB Rule G-41, which required ISIC to develop and implement a written anti-money laundering compliance program.
16. ISIC's written anti-money laundering compliance program did not comply with Rule 3011 and, therefore, did not comply with MSRB Rule G-41, in that:
- a. The program was not approved by the firm's senior management, as required by the Rule;

- b. The program's procedures for the independent test required by paragraph (c) of the Rule were inadequate; and
- c. The program did not include procedures to detect and prevent the acceptance of currency by the main office or any off-site location at which ISIC conducted its business.

17. Because of the deficiencies described in paragraph 16, above, ISIC's written anti-money laundering compliance program was not reasonably designed to achieve and monitor compliance with its obligations under the Bank Secrecy Act and implementing regulations promulgated by the Department of the Treasury. The failure to develop and implement a compliant written anti-money laundering compliance program constituted violations of NASD Conduct Rule 3011 and MSRB Rule G-41 by Respondent Jordan. Further, such conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Jordan.

FOURTH CAUSE OF ACTION

(Failure to Report Information, NASD Conduct Rules 3070 and 2110)

18. The Department realleges incorporates by reference paragraphs 1-5, 7-9, 11-13 and 14-17.

19. On or about December 17, 2004, Mr. and Mrs. G, customers of ISIC, submitted a Statement of Claim to the FINRA (then NASD) Office of Dispute Resolution alleging that a former representative of ISIC had engaged in sales practice violations and that

ISIC had failed to supervise the representative. Respondent Jordan became aware of the Statement of Claim on or before January 11, 2005.

20. The Statement of Claim was a "complaint" for purposes of NASD Conduct Rule 3070(c) because it was a "written grievance by a customer involving the member or a person associated with the member." Therefore, the Statement of Claim was required to be included in ISIC's quarterly statistical report filed with FINRA not later than April 15, 2005.
21. ISIC did not report the Statement of Claim to FINRA on a quarterly report at any time between April 15, 2005, and the filing of its Form BDW on or about February 15, 2006. Respondent Jordan was responsible for ISIC's Rule 3070 reporting and compliance.
22. The failure to report the Statement of Claim pursuant to NASD Conduct Rule 3070 constituted a violation of that Rule by Respondent Jordan. Further, such conduct was inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Jordan.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed.
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: March 4, 2008


Jacqueline D. Whelan, Sr. Special Regional Counsel
Lewis Taylor Egan, AVP and Regional Chief Counsel
FINRA Department of Enforcement
1 Montgomery Street, Suite 2100
San Francisco, CA 94104
(415) 217-1121
jacqueline.whelan@finra.org

Rory C. Flynn
FINRA Department of Enforcement
1801 K Street, N.W., Suite 800
Washington, D.C. 20006
(202) 974-2974; Fax: (202) 721-8318

Mark P. Dauer
FINRA Department of Enforcement
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163
(504) 522-6527; Fax: (504) 522-4077