

NASD OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

**GARY S. ARTZT
(CRD No. 2009945)**

Respondent.

**Disciplinary Proceeding
No. E1020041037-01**

Hearing Officer – DMF

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: August 4, 2006

INTRODUCTION

Disciplinary Proceeding No. E1020041037-01 was filed on April 6, 2006, by the Department of Enforcement ("Complainant") against Respondent Gary S. Artzt ("Respondent").

Respondent has submitted an Offer of Settlement ("Offer") to Complainant, dated August 2, 2006. 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 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 his permanent disciplinary record and may be considered in any future actions brought by NASD.

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BACKGROUND

Respondent first became registered with NASD on or about December 19, 1989, as a General Securities Representative ("GSR") through member firm Merrill Lynch, Pierce, Fenner & Smith, Inc. (BD No. 7691). Respondent first became registered with NASD as a General Securities Principal ("GSP") on or about March 5, 2002, through an association with New World (then "World Financial Capital Markets Inc.").

Subsequent to Respondent's first registration as a GSR, Respondent was registered through associations with five other member firms, including New World. Respondent's most recent registration with NASD as a GSR and GSP became effective on or about December 20, 2002, through a re-association with New World.

On or about February 8, 2006, New World filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") concerning Artzt. The Form U-5 stated that his termination from employment was voluntary and that his last day of employment was December 31, 2005. Although Respondent is not currently associated with any NASD member firm, Respondent remains subject to NASD's jurisdiction pursuant to Article V, Section 4 of NASD's By-Laws. Specifically, the Notice of Complaint and Complaint were served upon Respondent and filed on April 6, 2006, which is within NASD's jurisdictional limits over Respondent.

Respondent does not have any prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

FINDINGS AND CONCLUSIONS

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

1. For the period from in or around June 2003 through December 31, 2005, Respondent was the President of New World.

2. For the period from in or around November 2003 through December 31, 2005, Respondent was the Chief Compliance Officer of New World.
3. On or about October 1, 2003, Respondent signed AWC No. CAF030057 (the "November 2003 AWC") on behalf New World.
4. On or about November 7, 2003, the November 2003 AWC became effective.
5. Pursuant to the terms of the November 2003 AWC, New World was required, *inter alia*, to comply with the following undertakings:
 - a. "Within thirty (30) days of the effective date of the AWC, New World shall provide to the Department of Enforcement ["DOE"] and [NASD's District No. 10 office ("District 10")] its Anti-Money Laundering ("AML") Compliance Procedures that have been revised in accordance with NASD Conduct Rule 3011;"
 - b. "Within sixty (60) days of the effective date of the AWC, New World shall hire an independent outside qualified consultant not unacceptable to NASD to conduct independent testing, as required by NASD Conduct Rule 3011, to determine if the firm's AML procedures are in compliance with NASD Conduct Rule 3011;"
 - c. "The independent testing by the consultant shall commence within seventy five (75) days of the effective date of the AWC;" and
 - d. "New World shall have the independent consultant provide a copy of the consultant's findings and recommendations directly to [DOE] and District 10 not later than one hundred five (105) days of the effective date of the AWC."
6. Respondent signed the AWC and was responsible for ensuring New World's compliance with the undertakings of the November 2003 AWC.

7. On April 6, 2004, 121 days past the deadline specified in the November 2003 AWC, Respondent provided, for the first time, to DOE, New World's revised AML Compliance Procedures.
8. On March 9, 2004, 63 days past the deadline specified in the November 2003 AWC, Respondent signed an engagement letter in order to hire an outside consultant to conduct independent testing of New World's AML procedures.
9. Respondent did not consult with DOE, District 10, or anyone at NASD to determine whether the consultant constituted an "independent outside qualified consultant not unacceptable to NASD."
10. The outside consultant commenced its independent testing of New World on April 14, 2004, 84 days past the deadline specified in the November 2003 AWC.
11. Respondent did not have the outside consultant provide a copy of its findings and recommendations directly to DOE or District 10.
12. On May 3, 2004, 73 days past the deadline specified in the November 2003 AWC, Respondent provided, for the first time, to DOE a copy of the outside consultant's findings and recommendations based on its review of New World's AML procedures.

By reason of the foregoing, Respondent violated NASD Conduct Rule 2110.

Accordingly, as alleged in the Cause of Complaint, Respondent violated NASD Conduct Rule 2110.

SANCTIONS

It is ordered that Respondent be:

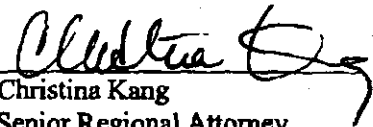
Suspended from associating with any NASD member firm in any capacity for a period of
forty-five (45) calendar days; and

Fined \$10,000.

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

SO ORDERED.

NASD

By: 
Christina Kang
Senior Regional Attorney
On behalf of the Director of ODA, pursuant to
delegated authority