

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-13-0127
ORDER NO. S-13-0127-13-OR02

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF

NAVEEN K. BHAGWANI

RESPONDENT

CEASE AND DESIST ORDER

On October 24, 2013, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for Cease and Desist Order (“Request”) stating that it has received information and has in its possession certain evidence which indicates that Naveen K. Bhagwani (“Bhagwani”) (CRD# 5423037) has violated provisions of the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”). The Commissioner has reviewed the Request, and based upon representations made therein, finds as follows:

FINDINGS OF FACT

1. The Staff’s Request asserts the following representations of fact:
 - a. Bhagwani was employed by NSM Securities, Inc. (CRD# 134357) (“NSM”), a broker-dealer registered with the Arkansas Securities Department (“Department”), from September 17, 2007, until he was discharged on October 3, 2011. Bhagwani has never been registered with the Department in any capacity.
 - b. An Arkansas resident (“AR1”) became a client of NSM on January 29, 2010. At that time, Rabinder Deshmukh (“Deshmukh”) (CRD# 5293748) was the agent of NSM responsible for AR1’s accounts. Deshmukh was registered as an agent of NSM with the Department from January 15, 2008, until he voluntarily terminated his registration on December 12, 2012. In January 2011, Bhagwani became an agent of NSM responsible for AR1’s accounts.

c. From January 25, 2011, through October 4, 2011, Bhagwani was identified as an agent for ARI's accounts on ARI's trade confirmations with NSM, and received commissions on certain transactions for ARI during this time period. Further, Bhagwani was identified as an agent for ARI's accounts on ARI's account statements from January 1, 2011, through September 1, 2011. On September 6, 2011, the chief compliance officer ("CCO") of NSM sent a letter to ARI regarding NSM's periodic review of ARI's account activity and requesting confirmation of ARI's stated investment objectives and risk tolerance. In this letter, the CCO specifically identified Deshmukh and Bhagwani as the NSM agents for ARI's accounts. Bhagwani was never registered with the Department as an agent of NSM.

CONCLUSIONS OF LAW

2. An agent is defined as an individual, other than a broker-dealer, who represents a broker-dealer in effecting purchases or sales of securities. Ark. Code Ann. § 23-42-102(1)(A).

3. A sale of securities includes every contract of sale of, contract to sell, or disposition of, a security or interest in a security for value. Ark. Code Ann. § 23-42-102(13)(A)(i).

4. It is unlawful for a person to transact business in Arkansas as an agent unless they are registered under the Act. Ark. Code Ann. § 23-42-301(a).

5. Bhagwani was identified as an agent of NSM for ARI's accounts on ARI's trade confirmations and account statements, effected purchases or sales of securities in ARI's accounts, and received commissions for certain transactions for ARI. Bhagwani has never been registered with the Department as an agent of NSM and, as a result, acted as an unregistered agent for ARI in Arkansas with NSM from January 25, 2011, through October 4, 2011, in violation of Ark. Code Ann. § 23-42-301(a).

6. Whenever it appears to the Commissioner, upon sufficient grounds and evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of the Act, or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. § 23-42-209(a)(1)(A).

7. Based upon the Findings of Fact and Conclusions of Law, a cease and desist order against Bhagwani is necessary or appropriate in the public interest or for the protection of investors, pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A).

ORDER

IT IS HEREBY ORDERED that Bhagwani immediately CEASE AND DESIST from further violations of Ark. Code Ann. § 23-42-301(a).

A hearing on this order shall be held if requested by Bhagwani in writing within thirty days of the date of the entry of this order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
Heritage West Building
201 East Markham Street, Suite 300
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2).


A. Heath Abshure
Arkansas Securities Commissioner

Oct. 28, 2013
Date