

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

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IN THE MATTER OF

ARKANSAS SECURITIES DEPT.

NAVEEN K. BHAGWANI

RESPONDENT

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) 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”), and for its Request for Cease and Desist Order states as follows:

ADMINISTRATIVE AUTHORITY

1. This action is brought in connection with violations of the Act and is, therefore, properly before the Arkansas Securities Commissioner (“Commissioner”), in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENT

2. 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.

FACTS SUPPORTING CEASE AND DESIST ORDER

3. 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.

4. 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.

APPLICABLE LAW

5. 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).

6. 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).

7. 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).

8. 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).

9. After notice and an opportunity for a hearing, the Commissioner may affirm, modify, or vacate the cease and desist order, and for a violation of the Act, by order, levy a fine not to exceed

\$10,000.00 for each violation or an amount equal to the total amount of money received in connection with each violation. Ark. Code Ann. § 23-42-209(a)(2)(C)(i) and (ii)(a).

CONCLUSIONS OF LAW

10. Bhagwani was identified as an agent of NSM for AR1's accounts on AR1's trade confirmations and account statements, effected purchases or sales of securities in AR1's accounts, and received commissions for certain transactions for AR1. Bhagwani has never been registered with the Department as an agent of NSM and, as a result, acted as an unregistered agent for AR1 in Arkansas with NSM from January 25, 2011, through October 4, 2011, in violation of Ark. Code Ann. § 23-42-301(a).

11. Due to the above-referenced violations of the Act, 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).

PRAYER FOR RELIEF

WHEREFORE, the Staff respectfully requests that the Commissioner summarily order Bhagwani to immediately CEASE AND DESIST from further violations of Ark. Code Ann. § 23-42-301(a). Upon notice and an opportunity for a hearing on the order, the Staff further requests that the Commissioner affirm the order, fine Bhagwani up to \$10,000.00 for each violation of the Act, and grant all other permissible relief to the Staff.

Respectfully submitted,



Amber E. Crouch
Staff Attorney
Arkansas Securities Department

October 24, 2013
Date