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BEFORE THE ARKANSAS SECURITIES COMMISSIONER | 3 AUG 22 PM 3: 25  
CASE NO S-12-0067  
ORDER NO. S-12-0067-13-OR01

ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:  
STEPHENS INC.**

**RESPONDENT**

**CONSENT ORDER**

This Consent Order is entered pursuant to the Arkansas Securities Act, codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department (“Staff”) and Stephens Inc. (“Stephens”), in full and final settlement of all claims that could be brought against Stephens by the Staff on the basis of the facts set forth herein.

Stephens admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), neither admits nor denies the findings of facts made herein, waives its right to a formal hearing and appeal, consents to the entry of this order, and agrees to abide by its terms in settlement of any possible violations committed by Stephens concerning the matters detailed in this order.

**FINDINGS OF FACT**

1. Stephens, CRD number 3496, is an Arkansas corporation registered as a broker-dealer with the Arkansas Securities Department.

2. Between January 1, 2008 and August 7, 2009, Stephens allowed its registered agents to sell leveraged and/or inverse Exchange Traded Funds (“ETFs”) to retail customers in Arkansas. During this time period Stephens had no written compliance policy specifically

addressing the sale of leveraged and/or inverse ETFs. Leveraged and/or inverse ETFs have certain risks that are not found in traditional ETFs, such as the risks associated with leverage and compounding. In addition, leveraged and/or inverse ETFs “reset” daily, meaning they are designed to achieve their desired objective on a daily basis, and the effects of compounding present unique risks over longer holding periods. As a result of Stephens’ failure to have a written compliance policy concerning leveraged and/or inverse ETFs, Stephens’ sale force was not properly educated about the specific risks associated with leveraged and/or inverse ETFs that needed to be communicated to the customers.

3. After August 7, 2009, Stephens had a written policy concerning the sale of leveraged and/or inverse ETFs. Unfortunately, for several months after this date, Stephens was unable to effectively enforce this written compliance policy. This supervisory failure was the result of the inability of the Stephens internal computer system to track the sale of leveraged and/or inverse ETFs and enforce said written policy.

4. Stephens fully cooperated with the Staff, during the Staff’s examination of this matter.

#### APPLICABLE LAW

5. Under Ark. Code Ann. § 23-42-308(a)(2)(J), the Commissioner may by order suspend or revoke any registration or impose other appropriate penalties, if he finds that the registrant has failed reasonably to supervise the agents of the broker-dealer.

#### CONCLUSIONS OF LAW

6. Stephens violated Ark. Code Ann. § 23-42-308(a)(2)(J), when it failed to have and later implement or enforce an adequate written supervisory policy as detailed in paragraphs 2 and 3.

7. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner may impose an appropriate fine against Stephens.

OPINION

This order is in the public interest. The facts as set out in paragraphs 2 and 3 support the violation of the Act as set out in paragraph 5.

ORDER

IT IS THEREFORE ORDERED that Stephens shall pay a fine in the amount of \$25,000 to the Arkansas Securities Department within 10 days of the entry of this Order. In addition, Stephens shall hire an expert, subject to the approval of the Arkansas Securities Department, to review Stephens' written compliance policy as it relates to the sale of leveraged and/or inverse ETFs. The Staff shall be notified, in writing, of any and all recommendations by said expert to Stephens, if any, and Stephens' subsequent implementation of the recommendations.

This Consent Order is not intended by the Commissioner to subject Stephens to any disqualification under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. This Consent Order shall not disqualify Stephens from any business that it is otherwise qualified, licensed or permitted to perform under the Act and the Rules and any disqualifications from relying upon Arkansas registration exemptions or safe harbor provisions that arise from this Consent Order are hereby waived.

WITNESS MY HAND AND SEAL on this 22<sup>nd</sup> day of August, 2013.



A. Heath Abshire

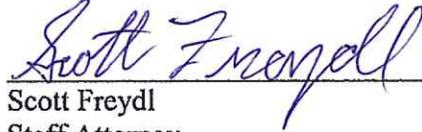
Arkansas Securities Commissioner

APPROVED AS TO CONTENT  
AND FORM:



David Knight, Executive Vice President  
Stephens Inc.

APPROVED AS TO CONTENT  
AND FORM:



Scott Freydl  
Staff Attorney  
Arkansas Securities Department