

# **REPORT OF THE SECURITIES AND EXCHANGE COMMISSION: SECTION 703 OF THE SARBANES-OXLEY ACT OF 2002**

## **STUDY AND REPORT ON VIOLATIONS BY SECURITIES PROFESSIONALS**

### **Executive Summary**

This is a report by the Securities and Exchange Commission (“SEC” or “Commission”) on the number of securities professionals who have aided and abetted or were primary violators of the Federal securities laws in calendar years 1998, 1999, 2000 and 2001. Section 703 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”), enacted on July 30, 2002, directed the SEC to conduct a study on securities professionals who have been found to be violators and to submit a report to Congress on the study by January 26, 2003. Section 703(a)(1) of the Sarbanes-Oxley Act defines securities professionals as “public accountants, public accounting firms, investment bankers, investment advisers, brokers, dealers, attorneys, and other securities professionals practicing before the Commission.” This report reviews the scope and methodology of the study and summarizes the resultant data.

The study reveals that, during the four-year period, 1,596 securities professionals were found to have aided and abetted violations of and/or violated the Federal securities laws in actions brought by the SEC. An additional 117 securities professionals, while not violating the Federal securities laws, are included in the study because they either failed to reasonably supervise employees subject to their supervision or engaged in improper professional conduct. The securities professionals most frequently found to have violated and/or aided and abetted the Federal securities laws were individuals associated with broker-dealers, such as registered representatives or branch managers (788), followed by broker-dealer firms (236) and individuals associated with investment advisers (172). The most common types of cases against these securities professionals involved securities offerings (385), fraud against broker-dealer customers (323), and investment adviser violations (228). The most frequently ordered sanctions were permanent injunctions (782), civil monetary penalties (730), disgorgement (673), permanent cease-and-desist orders (613), and bars from association with broker-dealers (434).

The most frequently violated sections of the Federal securities laws were the antifraud provisions: Section 10(b) of the Exchange Act of 1934 (965) and Section 17(a) of the Securities Act of 1933 (741). The next most frequently violated provisions involved violations of the securities registration provisions (Sections 5(a) and 5(c) of the Securities Act) (302 and 290, respectively) and broker-dealer registration provisions (Section 15(a) of the Exchange Act) (265). Securities professionals were much more likely to have been found principal violators (1,299) than aiders and abettors (13). Two hundred and eighty four (284) securities professionals were charged as both a principal violator and an aider and abettor.

# **REPORT OF THE SECURITIES AND EXCHANGE COMMISSION: SECTION 703 OF SARBANES-OXLEY ACT OF 2002**

## **STUDY AND REPORT ON VIOLATIONS BY SECURITIES PROFESSIONALS**

### **Introduction**

This is a report by the Securities and Exchange Commission (“SEC” or “Commission”) on the number of securities professionals who were aiders and abettors or primary violators of the Federal securities laws in calendar years 1998, 1999, 2000 and 2001. The Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”), enacted on July 30, 2002, directed the SEC to conduct a study on securities professionals who have been found to be violators and to submit a report to Congress on the study by January 26, 2003. This report reviews the scope and methodology of the study and summarizes the resultant data.

### **Scope**

Section 703 defines the scope of the study to include securities professionals who have been found to have aided and abetted or who were primary violators of the Federal securities laws, including rules or regulations promulgated thereunder, for the years 1998 through 2001.<sup>1</sup> The Act defines securities professionals as “public accountants, public accounting firms, investment bankers, investment advisers, brokers, dealers, attorneys, and other securities professionals practicing before the Commission.” Section 703(a)(1) of the Sarbanes-Oxley Act.<sup>2</sup> The study further defines “other securities professionals practicing before the Commission” to include: individuals associated with a broker or dealer, such as registered representatives and branch managers; individuals associated with an investment adviser or investment company; transfer agents; stock promoters;<sup>3</sup> and chief or principal financial officers of public companies.<sup>4</sup> Although many persons

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<sup>1</sup> A majority of cases brought by the Commission are resolved through settlements. Generally, defendants and respondents are permitted to settle with the Commission without admitting or denying the substantive allegations. Therefore, in settled injunctive actions, there are no findings of violations by the court. On the other hand, in settled administrative proceedings, there are Commission findings of violations, even though the settling respondent neither admits nor denies those findings. Nevertheless, for purposes of the study, settling securities professionals in both injunctive actions and administrative proceedings are included.

<sup>2</sup> As of December 2002, there were approximately 8,000 broker-dealers employing approximately 660,000 registered representatives. In addition, as of December 2002, there were approximately 7,700 investment advisers registered with the SEC, and over 32,000 investment company portfolios. This information was compiled by the Division of Market Regulation, the Division of Investment Management, and the Office of Compliance Inspections and Examinations from various sources, including EDGAR, CRD and IARD (maintained by the NASD), and the Investment Company Institute.

<sup>3</sup> The term “stock promoter” is not defined within the Federal securities laws. This study includes individuals and entities described in public SEC documents as promoters or who have violated the anti-touting provisions of the Federal securities laws (Section 17(b) of the Securities Act of 1933).

<sup>4</sup> The study includes Chief Financial Officers and Principal Financial Officers since they would ordinarily be the individuals in a corporation who are deemed to be “practicing before the Commission” by virtue of their responsibility for SEC filings. It does not include any other corporate officers or directors, with the

could fit into more than one securities professional category, for purposes of this study, each individual is classified as only one type of professional.<sup>5</sup> In addition, the study includes unregistered individuals and firms that violated the broker-dealer, investment adviser, or investment company registration provisions of the Federal securities laws.

With respect to each violator, Sections 703(2) and (3) of the Sarbanes-Oxley Act specify that the study describe the Federal securities laws violations committed, including:

- The specific provision(s) of the securities laws violated;
- The specific disciplinary sanctions imposed;
- Occurrences of multiple violations by the same person(s); and
- The amount of disgorgement, restitution, penalties or fines assessed and collected.

Although the specific language of the Sarbanes-Oxley Act limits the study to “aiders or abettors” and “primary violators,”<sup>6</sup> certain SEC actions against industry professionals and entities do not fall neatly within these two categories, but are included in the study because they are within the spirit of the Act. For example, the SEC brings actions against branch managers and other supervisors at broker-dealer and investment advisory firms who fail to reasonably supervise their employees who commit violations. The Commission also brings failure to supervise actions against the firms themselves. “Failure to supervise,” however, does not constitute a violation in and of itself of the securities laws.<sup>7</sup> These cases are included as part of the study because failure to supervise actions are an important part of the SEC’s enforcement program in that the threat of a failure to supervise action creates incentives for firms to act to prevent illegal activity by their employees before investors are harmed.

Additionally, each year the SEC files cases against accountants who practice before the Commission who have engaged in improper professional conduct or who have otherwise engaged in misconduct such that they should be prohibited, either temporarily

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exception of 28 other non-CFO employees of public companies who were accountants and were sanctioned pursuant to Rule 102(e) of the Commission’s Rules of Practice.

<sup>5</sup> The category chosen was based on the nature of the case and the professionals’ violations. For instance, if a registered representative is also associated with an investment adviser, and the violations were committed in his capacity as a registered representative, that person would be categorized for purposes of the study as a registered representative.

<sup>6</sup> For purposes of this study, a securities professional who is found to have “caused” a violation of the Federal securities laws in a cease-and-desist proceeding is deemed to be a primary violator. *See* Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Section 9(f) of the Investment Company Act of 1940, and Section 203(k) of the Investment Advisers Act of 1940.

<sup>7</sup> Failure to supervise actions are authorized under Sections 15(b)(4) and (6) of the Securities Exchange Act of 1934 and Sections 203(e)(6) of the Investment Advisers Act of 1940.

or permanently, from practicing before the Commission.<sup>8</sup> Rule 102(e) of the Commission's Rules of Practice provides the Commission with a mechanism to ensure that professionals who practice before the Commission perform their duties diligently and with a reasonable degree of competence. While certain bases for bringing Rule 102(e) actions do not involve violations of the Federal securities laws, such as engaging in improper professional conduct, the study nevertheless includes all Rule 102(e) actions for the relevant period because they involve securities professionals and are an integral part of the SEC's enforcement program.

Section 703 requires the Commission to review information from January 1, 1998 to December 31, 2001. Since the Study focuses on securities professionals who "have been found" to have violated the law,<sup>9</sup> the Commission's review was limited to only those actions that reached resolution during the stated time period.<sup>10</sup> Many SEC actions filed in a particular year may not settle or be litigated to final resolution until two or more years later. The Study did not include such pending cases but rather included only those actions that reached finality between January 1, 1998 and December 31, 2001, including those actions filed prior to 1998.

### **Methodology**

In order to gather and review the information required by Section 703, a computer database was designed to compile, organize, and present the data in a manageable form. To gather the information, several SEC attorneys reviewed the following publicly-available documents:<sup>11</sup>

- 1,330 Commission orders
- 1,676 Litigation Releases
- 79 Initial Decisions
- 126 Commission Opinions

The data gathered from the document review was entered into the database. Quality control was performed on the database and the final reports were run.

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<sup>8</sup> See Rule 102(e) of the Commission's Rules of Practice [17 C.F.R. § 201.102(e)]. Rule 102(e) sets forth several bases for bringing an action, including i) not possessing the requisite qualifications to represent others; ii) to be lacking in character or integrity or to have engaged in unethical or improper professional conduct; iii) to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws; iv) the revocation or suspension of a state professional license; v) a conviction of a felony or misdemeanor involving moral turpitude; vi) a permanent injunction from violating or aiding and abetting the violation of the Federal securities laws, or vii) a finding by a court or the SEC that the person violated or aided and abetted the violation of the Federal securities laws. During the four year period of the study, of the 127 Rule 102(e) actions, 43 were based on either improper professional conduct or a criminal conviction and therefore did not involve a violation of the Federal securities laws. The remaining 84 were based either on a willful violation or an injunction from future violations of the Federal securities laws.

<sup>9</sup> Securities professionals named as relief defendants only are not included in the study.

<sup>10</sup> In 1998, 433 resolutions were reached against securities professionals, 523 in 1999, 413 in 2000, and 344 in 2001. The study did not reach any conclusions as to the reasons for the lower numbers in the later years of the study.

<sup>11</sup> In addition to the publicly-available documents, the study relied on certain other internal information sources.

While not specifically called for by Section 703, each action against a securities professional was categorized according to the type of misconduct, such as insider trading, market manipulation, securities offering, investment adviser violations,<sup>12</sup> etc. While many cases fell within more than one category, each case was given only a single (principal) category based on the facts of the case and the violations charged. Most of these categories describe the particular type of fraud committed by the securities professional.

The methodology used by the study with respect to monetary sanctions and collections relied primarily on information obtained from the Commission's Disgorgement Payment Tracking System (DPTS). The DPTS, managed by the Office of the Secretary, tracks collections of penalties and disgorgement ordered in Commission enforcement actions. For a detailed description of the SEC's disgorgement, penalties and collections program, please refer to the SEC's report titled Report Pursuant to Section 308(c) of the Sarbanes-Oxley Act.

## **Results**

The Study reveals the following:

### ***Numbers of Violators***

As required by Section 703(a)(1)(A) and (B) of the Sarbanes-Oxley Act, for the period from January 1, 1998 through December 31, 2001, the SEC concluded enforcement actions against 1,713 securities professionals:

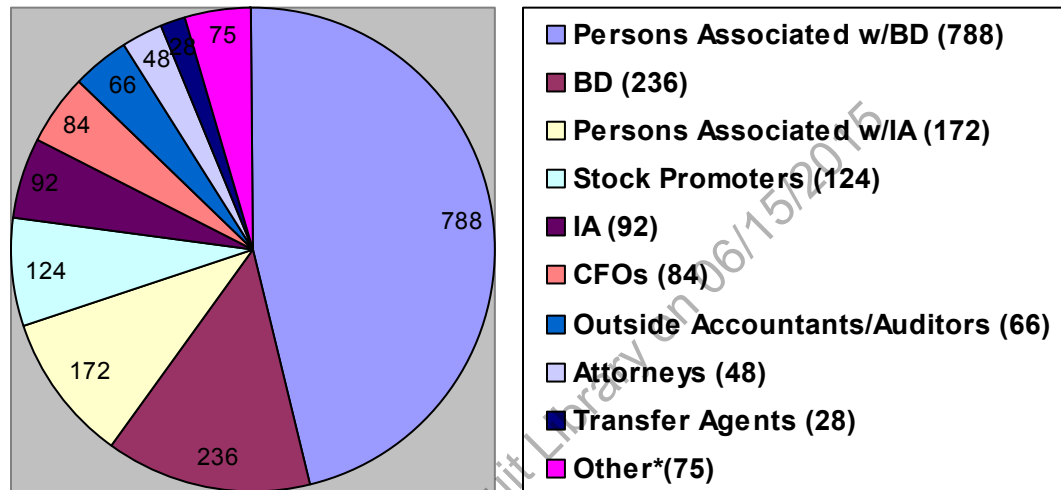
- 13 securities professionals were found to have aided and abetted a violation of the Federal securities laws but were not found to have committed a primary violation of those laws.
- 1,299 securities professionals were found to have committed primary violations of the Federal securities laws.
- 284 securities professionals were found to have committed both aiding and abetting and primary violations of the Federal securities laws.
- 74 securities professionals failed to reasonably supervise individuals under their supervision.

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<sup>12</sup> Although the study does not break out the different types of investment adviser violations, a substantial majority of such violations involve fraud against investment adviser clients. Other investment adviser violations include registration, reporting, and books and records violations.

- 43 securities professionals were prohibited from practicing before the Commission pursuant to Rule 102(e) of the Commission's Rules of Practice for engaging in improper professional conduct or based on a criminal conviction.<sup>13</sup>

The following chart shows different types of securities professionals and the number of such professionals who were found to have violated or aided and abetted violations of the securities laws during the four-year period:



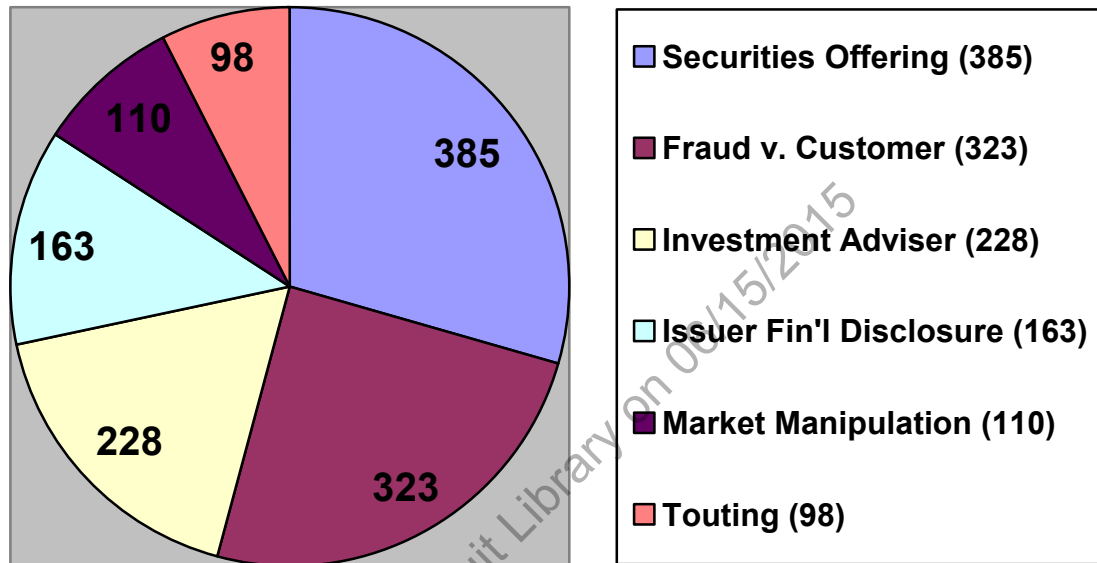
Key: BD = broker dealer firm  
IA = investment adviser firm

\*Other = Accounting firms, exchanges, investment companies, persons associated with investment companies, among others.

<sup>13</sup> Another 84 securities professionals were prohibited from practicing before the Commission based on either willful violations of the Federal securities laws or permanent injunctions from violations of the Federal securities laws. Accordingly, these 84 violated and/or aided and abetted the Federal securities laws.

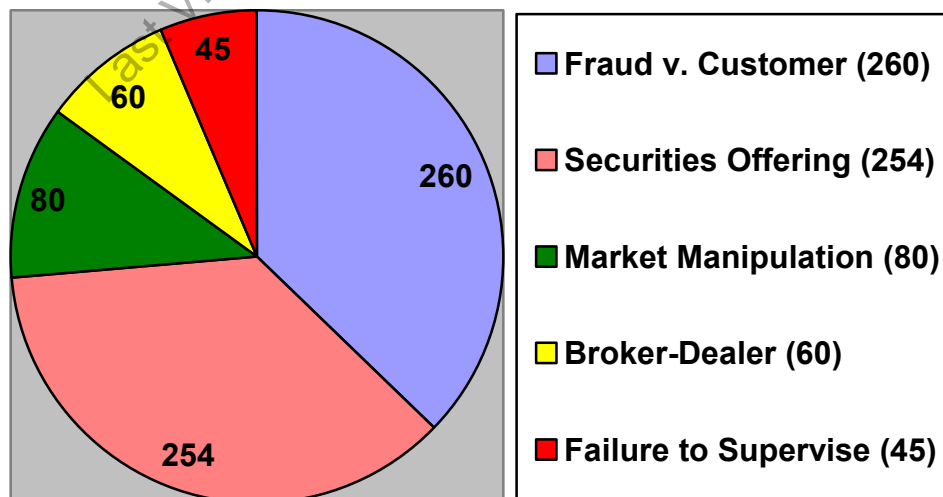
The following shows the most common case classifications and the total number of securities professionals who were charged with violations that fit within each classification. For data on all case classifications, see Appendix A.

### ALL SECURITIES PROFESSIONALS

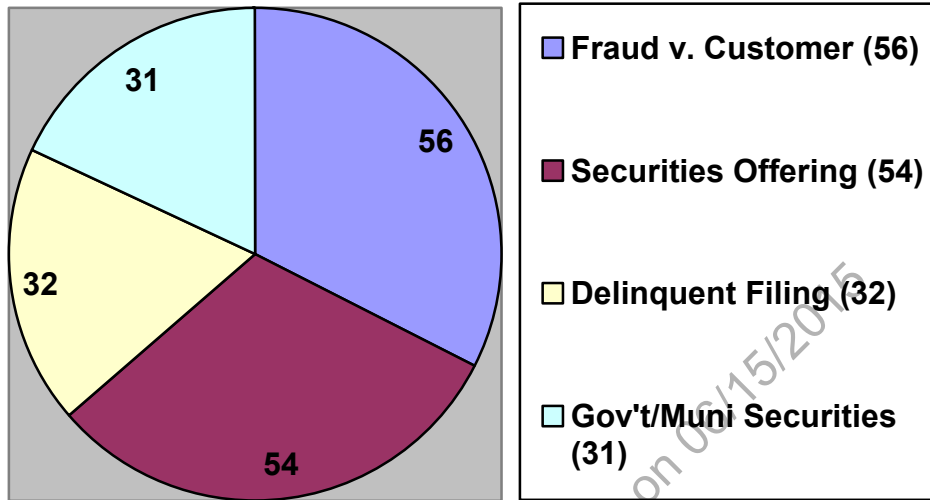


The following charts break out the most common case classifications by securities professional type:

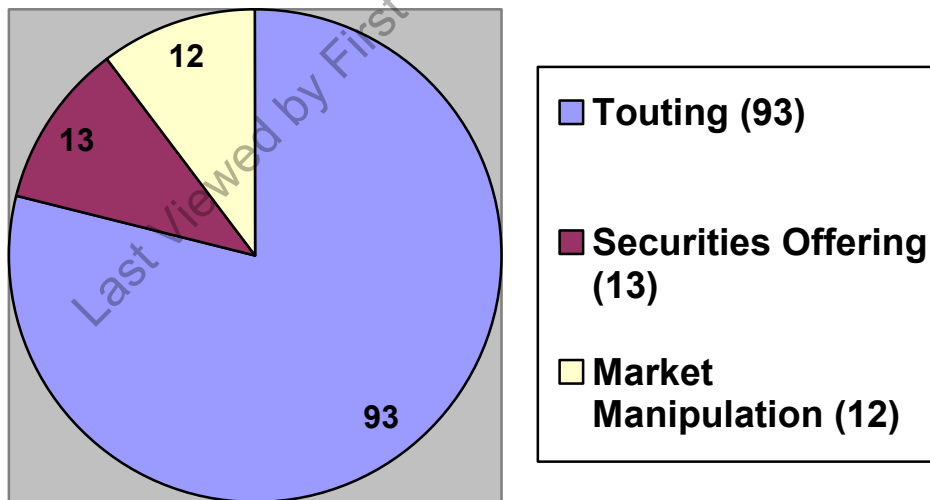
### INDIVIDUALS ASSOCIATED WITH BROKER-DEALERS



### BROKER-DEALER FIRMS



### STOCK PROMOTERS





### ***Federal Securities Laws Violated***

As required by Section 703(a)(2)(A) of the Sarbanes-Oxley Act, the following table shows the most frequently violated provisions of the Federal securities laws, a brief description of the type of violation, and the number of times each provision was violated. A list of all provisions of the Federal securities laws violated is included as Appendix B.

<u>Provision</u>	<u>Description</u>	<u>Number of Violations</u>
Exchange Act §10(b)	Fraud	965
Exchange Act Rule 10b-5	Fraud	879
Securities Act §17(a)	Fraud	741
Securities Act §5(a)	Registration	302
Securities Act §5(c)	Registration	290
Exchange Act §15(a)	BD Registration	265
Exchange Act §15(c)	BD Fraud	220
Advisers Act §206(2)	IA Fraud	189
Advisers Act §206(1)	IA Fraud	176
Exchange Act Rule 15c1-2	BD Fraud	164
Exchange Act §17	BD records	106
Securities Act §17(b)	Anti-Touting	102

### ***Sanctions***

As required by Section 703(a)(2)(B) and (D), the following table shows the most frequently imposed sanctions ordered against aiders and abettors, primary violators, or both.<sup>14</sup> For a complete list of sanctions imposed, see Appendix C.<sup>15</sup>

Permanent Injunction	782
Penalties <sup>16</sup>	730
Disgorgement	673
Permanent cease and desist	613
BD bar from association <sup>17</sup>	434
IA bar from association <sup>18</sup>	220
Censure	211
Undertakings	144

<sup>14</sup> In many instances, securities professionals had multiple sanctions ordered against them.

<sup>15</sup> This table does not include relief obtained in failure to supervise actions. Failure to supervise data can be found in Appendix D.

<sup>16</sup> The Commission does not seek the imposition of penalties in all instances where one is warranted due to, among other reasons, the financial condition of the securities professional and criminal sanctions ordered in parallel criminal proceedings.

<sup>17</sup> This does not include suspensions from association with broker-dealers. Suspensions from association are for 12 months or less while bars from association are for one year or more. During the period of the study, there were 122 suspensions from association with broker-dealers against securities professionals.

<sup>18</sup> This does not include suspensions from association with investment advisers. Suspensions from association are for 12 months or less while bars are for one year or more. During the period of the study, there were 73 suspensions from association with investment advisers against securities professionals.

## ***Multiple Violations***

Of the 1,596 securities professionals found to have aided and abetted or committed a primary violation of the Federal securities laws, 1,162 were found to have violated more than one statute, rule or regulation. This information is required by Section 703(a)(2)(C) of the Sarbanes-Oxley Act.

## ***Disgorgement and Penalties***

Disgorgement in the amount of \$799,355,572 was assessed against 555 securities professionals. \$145,018,556 of this disgorgement was waived and, to date, \$167,044,188 has been collected. The remaining \$487,292,828 has not been collected.<sup>19</sup> Civil penalties in the amount of \$225,963,700 were assessed against 612 securities professionals. To date, \$77,722,355 of the ordered civil penalties have been collected. The remaining \$148,241,345 has not been collected.<sup>20</sup> This information is required by Section 703(a)(3) of the Sarbanes-Oxley Act.

## **Conclusion**

During the four-year period of the study, 1,596 securities professionals were found to have aided and abetted violations of and/or violated the Federal securities laws. Most of these securities professionals were charged solely as primary violators or as both primary violators and aiders and abettors. Only 13 of these 1,596 securities professionals were charged solely as aiders and abettors. The most common type of securities professionals against whom the SEC brought actions were individuals associated with broker-dealers such as registered representatives and branch managers. The most common types of cases involved securities offerings and fraud against broker-dealer customers. The most prevalent sanctions ordered were permanent injunctions, civil penalties, disgorgement, and bars from association with broker-dealers. The most frequently violated sections of the Federal securities laws were the general antifraud provisions of the Securities Act and the Exchange Act.

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<sup>19</sup> The staff is engaging in ongoing collection efforts with respect to some of the uncollected disgorgement and penalties.

<sup>20</sup> One hundred and eighteen (118) securities professionals in the study were ordered to pay disgorgement and/or penalties on a joint and several basis with co-defendants or co-respondents. Because many of these co-defendants and co-respondents are not securities professionals, amounts ordered against and collected from these 118 securities professionals are not included in the above disgorgement and penalty amounts because their inclusion would overstate the amounts ordered. For instance, if a securities professional were ordered to disgorge \$10 million jointly and severally with 4 non-securities professionals, the reported amounts would be skewed if the study reported that the single securities professional had been ordered to pay \$10 million. Because of this and various other complicating factors, the study does not include amounts relating to securities professionals against whom a penalty or disgorgement amount was ordered on a joint and several basis.

# APPENDIX A

## Count by Classification - ALL SECURITIES PROFESSIONALS

<i>Description</i>	<i>Count</i>
B-D: BOOKS AND RECORDS	20
B-D: FAILURE TO SUPERVISE	65
B-D: FRAUD AGAINST CUSTOMER	310
B-D: GOVT/MUNI SECURITIES	59
B-D: OTHER	48
BOOKS & RECORDS (BD/IC/IA)	4
BREACH FIDUCIARY RELATIONSHIP	3
BROKER-DEALER	34
DELINQUENT FILINGS	35
FRAUD AGAINST REG ENTITY	3
INSIDER TRADING	59
INVESTMENT ADVISER	217
INVESTMENT COMPANY	29
ISSR REPT: ISSR FINANCL DISCL	160
ISSUR REPT: OTHER	7
MARKET MANIPULATION	101
MISCELLANEOUS	5
NEWSLETTER/TOUTING	80
SECURITIES OFFERING	374
SELF-REGULATORY ORGANIZATION	6
TRANSFER AGENT	28
<b>Total:</b>	<b>1,647</b>

# Classifications By Securities Professional

<i>SECURITIES PROF KEY</i>	<i>CLASSIFICATIONS</i>	<i>Count</i>
	MARKET MANIPULATION	1
	MISCELLANEOUS	1
	SECURITIES OFFERING	2
	<i>Group</i>	<b>4</b>
<i>CFO</i>		4
	B-D: FRAUD AGAINST CUSTOMER	1
	BREACH FIDUCIARY RELATIONSHIP	1
	BROKER-DEALER	1
	INSIDER TRADING	3
	ISSR REPT: ISSR FINANCL DISCL	61
	ISSUR REPT: OTHER	1
	MARKET MANIPULATION	4
	NEWSLETTER/TOUTING	1
	SECURITIES OFFERING	6
	SELF-REGULATORY ORGANIZATION	1
	<i>Group</i>	<b>84</b>
<i>Accounting Firms</i>		
	ISSR REPT: ISSR FINANCL DISCL	11
	ISSUR REPT: OTHER	2
	<i>Group</i>	<b>13</b>

<b>SECURITIES PROF KEY</b>	<b>CLASSIFICATIONS</b>	<b>Count</b>
<i>Attorneys</i>		
		2
	B-D: FAILURE TO SUPERVISE	1
	B-D: GOVT/MUNI SECURITIES	2
	INSIDER TRADING	14
	ISSR REPT: ISSR FINANCL DISCL	6
	MARKET MANIPULATION	5
	MISCELLANEOUS	2
	SECURITIES OFFERING	17
	<b>Group</b>	<b>49</b>
<i>Broker/dealer firm</i>		
		13
	B-D: BOOKS AND RECORDS	8
	B-D: FAILURE TO SUPERVISE	19
	B-D: FRAUD AGAINST CUSTOMER	53
	B-D: GOVT/MUNI SECURITIES	31
	B-D: OTHER	10
	BOOKS & RECORDS (BD/IC/IA)	2
	BROKER-DEALER	9
	DELINQUENT FILINGS	32
	INVESTMENT ADVISER	3
	INVESTMENT COMPANY	1
	ISSR REPT: ISSR FINANCL DISCL	1
	MARKET MANIPULATION	7
	SECURITIES OFFERING	50
	<b>Group</b>	<b>239</b>
<i>Exchange</i>		
	SELF-REGULATORY ORGANIZATION	5
	<b>Group</b>	<b>5</b>

**SECURITIES PROF KEY CLASSIFICATIONS****Count***Individuals associated with a  
broker/dealer (traders, RRs, branch*

	27
B-D: BOOKS AND RECORDS	12
B-D: FAILURE TO SUPERVISE	43
B-D: FRAUD AGAINST CUSTOMER	250
B-D: GOVT/MUNI SECURITIES	26
B-D: OTHER	38
BOOKS & RECORDS (BD/IC/IA)	2
BREACH FIDUCIARY RELATIONSHIP	2
BROKER-DEALER	22
CRIMINAL-OTHER	1
FRAUD AGAINST REG ENTITY	2
INSIDER TRADING	37
INVESTMENT ADVISER	3
INVESTMENT COMPANY	2
MARKET MANIPULATION	71
MISCELLANEOUS	1
NEWSLETTER/TOUTING	2
SECURITIES OFFERING	255

**Group****796**

**SECURITIES PROF KEY CLASSIFICATIONS****Count***Individuals associated with an investment adviser*

	8
B-D: FAILURE TO SUPERVISE	1
B-D: FRAUD AGAINST CUSTOMER	1
FRAUD AGAINST REG ENTITY	1
INSIDER TRADING	1
INVESTMENT ADVISER	141
INVESTMENT COMPANY	1
MARKET MANIPULATION	1
MISCELLANEOUS	1
NEWSLETTER/TOUTING	1
SECURITIES OFFERING	17

**Group****174***Individuals associated with investment companies*

DELINQUENT FILINGS	1
INVESTMENT COMPANY	17
MARKET MANIPULATION	1
SECURITIES OFFERING	1

**Group****20***Investment Adviser Firms*

	9
B-D: FAILURE TO SUPERVISE	1
B-D: FRAUD AGAINST CUSTOMER	1
INVESTMENT ADVISER	70
INVESTMENT COMPANY	2
SECURITIES OFFERING	10

**Group****93**

<b>SECURITIES PROF KEY</b>	<b>CLASSIFICATIONS</b>	<b>Count</b>
<i>Investment companies (firms)</i>		
		1
	INVESTMENT COMPANY	6
	SECURITIES OFFERING	4
	<b>Group</b>	<b>11</b>
<i>NSP-102(e)</i>		
		1
	INSIDER TRADING	1
	ISSR REPT: ISSR FINANCL DISCL	26
	<b>Group</b>	<b>28</b>
<i>Outside Accountants (Individuals)</i>		
		1
	BROKER-DEALER	1
	INSIDER TRADING	3
	ISSR REPT: ISSR FINANCL DISCL	55
	ISSUR REPT: OTHER	4
	SECURITIES OFFERING	2
	<b>Group</b>	<b>66</b>
<i>Stock Promoter</i>		
		22
	B-D: FRAUD AGAINST CUSTOMER	4
	DELINQUENT FILINGS	2
	MARKET MANIPULATION	11
	NEWSLETTER/TOUTING	76
	SECURITIES OFFERING	9
	<b>Group</b>	<b>124</b>
<i>Transfer Agent</i>		
	SECURITIES OFFERING	1
	TRANSFER AGENT	28
	<b>Group</b>	<b>29</b>



***SECURITIES PROF KEY    CLASSIFICATIONS***

***Count***

***Grand***

***1,735***

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# APPENDIX B

## Count Per Violation

*Aiders & Abettors, Primary, and Both*

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
34 §10B	Fraud	Exchange Act §10(b)	15 USC78j(b)	965
34 R10B-05	Fraud	Exchange Act Rule 10b-5	17 CFR240.10b-5	879
33 §17A	Fraud	Securities Act §17(a)	15 USC77q(a)	741
33 §05A	Registration	Securities Act §05(a)	15 USC77e(a)	302
33 §05C	Registration	Securities Act §05(c)	15 USC77e(c)	290
34 §15A	Broker-Dealer Registration Requirement	Exchange Act §15(a)(1)	15 USC78o(a)(1)	265
34 §15C	Broker-Dealer Fraud	Exchange Act §15(c)(1)	15 USC78o(c)(1)	220
IA §206(2)	Fraud (Non-Scienter)	Advisers Act §206(2)	15 USC80b-6(2)	189
IA §206(1)	Fraud (Scienter)	Advisers Act §206(1)	15 USC80b-6(1)	176
34 R15C1-2	Broker- Dealer Fraud	Exchange Act Rule 15c1-2	17 CFR240.15c1-2	164
34 §17	Broker-Dealer Records	Exchange Act §17	15 USC78q	106
33 §17B	Anti-Touting	Securities Act §17b	15 USC77q(b)	102
34 §13A	Periodic Reports	Exchange Act §13(a)	15 USC78m(a)	93
IA §204	Periodic Reports "Annual and Other"	Advisers Act §204	15 USC80b-4	86
33 §17A3	Fraud (non-scienter)	Securities Act §17(a)(3)	15 USC77q(a)(3)	85
33 §17A2	Fraud (non-scienter)	Securities Act §17(a)(2)	15 USC77q(a)(2)	80
34 R15C2-7	Fictitious Quotations	Exchange Act Rule 15c2-7	17 CFR240.15c2-7	80
IA §206(4)	Fraudulent Practices (Non-Scienter)	Advisers Act §206(4)	15 USC80b-6(4)	79
34 R13B2-1	Accounting Records Falsification	Exchange Act Rule 13b2-1	17 CFR240.13b2-1	75
34 R17A-03	Broker-Dealer Records	Exchange Act Rule 17a-3	17 CFR240.17a-3	72
34 §15B	Broker-Dealer Registration	Exchange Act §15(b)	15 USC78o(b)	69
34 R17A-05	Broker- Dealer Reports	Exchange Act Rule 17a-5	17 CFR240.17a-5	65
34 R13A-13	10-Q and 10-QSB	Exchange Act Rule 13a-13	17 CFR240.13a-13	62
IA R204-2	Recordkeeping	Advisers Act Rule 204-2	17 CFR275.204-2	59

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
34 §13B5	Evasion of Accounting Controls	Exchange Act §13(b)(5)	15 USC78m(b)(5)	58
34 R12B-20	Additional Report	Exchange Act Rule 12b-20	17 CFR240.12b-20	58
34 R13A-01	Annual Report	Exchange Act Rule 13a-1	17 CFR240.13a-1	56
IA §207	Material Misstatements	Advisers Act §207	15 USC80b-7	50
34 R13B2-2	Misrepresentations to Accountants	Exchange Act Rule 13b2-2	17 CFR240.13b2-2	50
33 §05	Registration	Securities Act §05	15 USC77e	45
34 §13B2A	Issuers Books and Records	Exchange Act §13(b)(2)(A)	15 USC78m(b)(2)(A)	45
IA R206(4)-1	Advertisements	Advisers Act Rule 206(4)-1	17 CFR275.206(4)-1	42
33 §17A1	Fraud	Securities Act §17(a)(1)	15 USC77q(a)(1)	39
IA §203	Registration and Jurisdiction	Advisers Act §203	15 USC80b-3	35
34 §17A(TA)	Securities Clearance and Settlement	Exchange Act §17A	15 USC78q(a)	34
34 §15B6	Broker-Dealer Associated Person Sanction	Exchange Act §15(b)(6)	15 USC78o(b)(6)	34
34 §13B2B	Issuers Internal Accounting Controls	Exchange Act §13(b)(2)(B)	15 USC78m(b)(2)(B)	30
34 §19	SRO Enforcement	Exchange Act §19(g)(1)	15 USC78s(g)(1)	28
MSRBG17	Conduct of Business	MSRB Rule G-17	MSRB Rule G-17	27
34 §14E	Tender Offer Fraud	Exchange Act §14(e)	15 USC78n(e)	23
IA R206(4)-2	Custody of Client Funds/Securities	Advisers Act Rule 206(4)-2	17 CFR275.206(4)-2	23
34 §15BC	Transaction in Contravention of MSRB	Exchange Act §15B(c)	15 USC78o-4(c)	22
34 R14E-03	Tender Offer Insider Trading	Exchange Act Rule 14e-3	17 CFR240.14e-3	21
REG T	Credit by Broker-Dealer	Regulation T	12 CFR220.4	20
34 §13B2	Periodic Reports	Exchange Act §13(b)(2)	15 USC78m(b)(2)	19
33 §17	Fraud	Securities Act §17	15 USC77q	19
IC §34	Destroying/Altering Records	Investment Company Act §34(a)	15 USC80a-33	19
34 §11	Unlawful Exchange Member Floor Trading	Exchange Act §11	15 USC78k	19
34 R11A-01	Floor Trading	Exchange Act Rule 11a-01	17 CFR240.11a-1	18
IA R204-3	Disclosure Statements (Delivery to client)	Advisers Act Rule 204-3	17 CFR275.204-3	18

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
REG M101	Activities by Distribution Participants	Regulation M §101	17 CFR242.101	18
34 R15C3-1	Net Capital Requirements	Exchange Act Rule 15c3-1	17 CFR240.15c3-1	17
34 §07C	Unlawful credit extension to customers	Exchange Act §07(c)	15 USC78g(c)	17
34 R10B-03	Broker-Dealer Fraud	Exchange Act Rule 10b-3	17 CFR240.10b-3	16
IA R204-1	Amendments to Form ADV	Advisers Act Rule 204-1	17 CFR275.204-1	16
34 §15B7	Broker-Dealer Standards of Training	Exchange Act §15(b)(7)	15 USC78o(b)(7)	14
34 §09	Price Manipulation	Exchange Act §09	15 USC78i	14
IA §206	Fraud (General)	Advisers Act §206	15 USC80b-6	13
IA R206(4)-4	Disclosure to Clients (Financial/Disciplinary Information)	Advisers Act Rule 206(4)-4	17 CFR275.206(4)-4	13
34 R17A-11	Net Capital Violation Notice	Exchange Act Rule 17a-11	17 CFR240.17a-11	13
34 R17A-04	Record Retention	Exchange Act Rule 17a-4	17 CFR240.17a-4	12
IC R22C-01	Pricing of Redemption Securities	Investment Company Rule 22c-1	17 CFR270.22c-1	12
34 R15B7-1	BD Qualification	Exchange Act Rule 15b7-1	17 CFR240.15b7-1	12
REG M102	Activities by Issuers and	Regulation M §102	17 CFR242.102	11
34 §13D	Change in Beneficial Ownership Reports	Exchange Act §13(d)	15 USC78m(d)	11
34 §17E	Broker-Dealer Annual Filings	Exchange Act §17(e)	15 USC78q(e)	9
IA §206(3)	Fraud-Principal & Agency Cross Transact	Advisers Act §206(3)	15 USC80b-6(3)	9
34 R10B-09	Prohibited Representations	Exchange Act Rule 10b-9	17 CFR240.10b-9	9
34 R13D-01	Beneficial Ownership Reporting	Exchange Act Rule 13d-1	17 CFR240.13d-1	9
34 R10B-06	Fraud - Manipulation	Exchange Act Rule 10b-6 (obs)	17 CFR240.10b-6	9
34 R15C1-8	Sales at the Market	Exchange Act Rule 15c1-8	17 CFR240.15c1-8	8
IC §07	Investment Companies	Investment Company Act	15 USC80a-7	8
34 R10B-16	Credit Terms Disclosure	Exchange Act Rule 10b-16	17 CFR240.10b-16	8
IC §31	Books and Records (Maintenance)	Investment Company Act	15 USC80a-30	7
IA R204-5	Y2K Reports	Advisers Act Rule 204-5		7
34 R13A-11	8-K Report	Exchange Act Rule 13a-11	17 CFR240.13a-11	7

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
34 §07D	Unlawful credit extension by other lender	Exchange Act §07(d)	15 USC78g(d)	7
34 R17AD-18	Y2K Reports	Exchange Act Rule 17Ad-18	17 CFR240.17Ad-18	6
34 R13D-02	Ownership Report Amendments	Exchange Act Rule 13d-2	17 CFR240.13d-2	6
34 R17AD-10	Transfer Agent Prompt	Exchange Act Rule 17Ad-10	17 CFR240.17Ad-10	6
IA §205	Advisory Contracts	Advisers Act §205	15 USC80b-5	6
34 §17B	BD Records Inspection	Exchange Act §17(b)	15 USC78q(b)	6
34 R15C3-3	Customer Protection	Exchange Act Rule 15c3-3	17 CFR240.15c3-3	6
34 §16	Beneficial Ownership Reporting	Exchange Act §16(a)	15 USC78p	5
34 §13B	Periodic Reports	Exchange Act §13(b)	15 USC78m(b)	5
IC §17(e)	Agency Transactions	Investment Company Act §17(e)	15 USC80a-17(e)	5
IC §17(a)	Principal Transactions	Investment Company Act §17(a)	15 USC80a-17(a)	5
IC R31A-01	Required Records	Investment Company Rule 31a-1	17 CFR270.31a-1	5
IC §22	Distribution/Redemption (Open End)	Investment Company Act	15 USC80a-22	4
34 §17F	Lost/Stolen Securities Reports	Exchange Act §17(f)	15 USC78q(f)	4
34 R17AD-02	Transfer Agent Turnaround	Exchange Act Rule 17Ad-02	17 CFR240.17Ad-2	4
34 §07F	Unlawful credit receipt	Exchange Act §07(f)	15 USC78g(f)	4
Reg. S-X, Rule	Accountant's Reports	Regulation S-X	17 CFR210.2-02	4
34 R17A-01	SRO Recordkeeping	Exchange Act Rule 17a-1	17 CFR240.17a-1	4
34 R16A-03	Beneficial Ownership Reporting	Exchange Act Rule 16a-3	17 CFR240.16a-3	4
34 R17AD-06	Transfer Agent	Exchange Act Rule 17Ad-06	17 CFR240.17Ad-6	3
34 R17AC2-2	Transfer Agents Reporting Requirements	Exchange Act Rule 17Ac2-2	17 CFR240.17Ac2-2	3
34 R15C2-12	Municipal Securities Disclosure	Exchange Act Rule 15c2-12	17 CFR240.15c2-12	3
34 R16A-02	Transaction Reporting	Exchange Act Rule 16a-2	17 CFR240.16a-1	3
34 §10A	Unlawful Short Sales	Exchange Act §10(a)	15 USC78j(a)	3
REG X	Borrowers of Securities Credit	Regulation X	12 CFR224.3	3
IC §15	Advisory/Underwriting Contract	Investment Company Act	15 USC80a-15	3

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
IC §21	Loans	Investment Company Act	15 USC80a-21	3
IC §13	Investment Policy Changes	Investment Company Act	15 USC80a-13	3
34 R10B-10	Confirmations	Exchange Act Rule 10b-10	17 CFR240.10b-10	3
IC §30	Periodic Reports (Reporting Requirements)	Investment Company Act	15 USC80a-29	3
IC §17	Affiliated Party Transactions	Investment Company Act	15 USC80a-17	3
MSRBG19	Suitability	MSRB Rule G-19	MSRB Rule G-19	3
MSRBG27	Supervision	MSRB Rule G-27	MSRB Rule G-27	3
34 §15B4	Broker-Dealer Sanctions Authority	Exchange Act §15(b)(4)	15 USC78o(b)(4)	3
IC R17G-01	Bonding of O/D	Investment Company Rule 17G-01	17 CFR270.17g-1	3
34 §15F	Insider Trading Policies	Exchange Act §15(f)	15 USC78o-5(f)	3
34 §13G	Issuers Beneficial Ownership Reports	Exchange Act §13(g)	15 USC78m(g)	3
IC R30B-02-1	Filing & Copies & Reports	Investment Company Rule 30b2-1	17 CFR270.30b2-1	2
34 §30A	Prohibited Foreign Trade by Issuers	Exchange Act §30A	78 USC78dd-1	2
IC §10	Director Affiliation	Investment Company Act	15 USC80a-10	2
IC §17(j)	Personal Trading	Investment Company Act §17(j)	15 USC80a-17(j)	2
34 R17F-02	Fingerprinting	Exchange Act Rule 17f-2	17 CFR240.17f-2	2
IC §23	Distribution/Repurchase (Closed End)	Investment Company Act	15 USC80a-23	2
IC §55	BDC Activities	Investment Company Act	15 USC80a-54	2
34 R17AC2-1	Transfer Agents Registration	Exchange Act Rule 17Ac2-1	17 CFR240.17Ac2-1	2
IC R17J-01	Fraud; Personal Trading	Investment Company Rule 17j-1	17 CFR270.17j-1	2
MSRBG02	Professional Qualifications Standards	MSRB Rule G-02	MSRB Rule G-2	2
IC R30B-01-1	Semi-Annual Reports	Investment Company Rule 30b1-1	17 CFR270.30b1-1	2
34 R17AD-13	Transfer Agent Annual Study	Exchange Act Rule 17Ad-13	17 CFR240.17Ad-13	2
33 §05B	Registration	Securities Act §05(b)	15 USC77e(b)	2
34 R13A-16	Foreign Private Issuer Reports on Form 6	Exchange Act Rule 13a-16	17 CFR240.13a-16	2

<i>Code</i>	<i>Description</i>	<i>Violation Cite</i>	<i>Violation Long</i>	<i># Times</i>
34 §07	Margin Requirements	Exchange Act §07	15 USC78g	2
34 §20	Control Personal Aiding and Abetting	Exchange Act §20	15 USC78t	2
34 R15B1-3	Registration of Successor to BD	Exchange Act Rule 15b1-3	17 CFR240.15b1-3	2
MSRBG30	Prices/Commissions	MSRB Rule G-30	MSRB Rule G-30	2
34 §15B6B	Broker-Dealer Associated Person Sanction	Exchange Act §15(b)(6)(B)	15 USC78o(b)(6)(B)	2
34 §15B6A	Broker-Dealer Associated Person Sanction	Exchange Act §15(b)(6)A	15 USC78o(b)(6)(A)	2
MSRBG20	Gifts/Gratuities	MSRB Rule G-20	MSRB Rule G-20	2
34 §10	Manipulation and deceptive devices	Exchange Act §10	15 USC78j	2
IC §08	Registration	Investment Company Act	15 USC80a-8	2
34 §13F	Institutional Investment Manager Reports	Exchange Act §13(f)	15 USC78m(f)	2
34 §15D	Broker-Dealer Reports	Exchange Act §15(d)	15 USC78(d)	2
34 §15G	Penny Stocks/Disclosure	Exchange Act §15(g)	15 USC78o-5(g)	2
34 §14A	Proxies	Exchange Act §14(a)	15 USC78n(a)	2
34 R15G-06	Penny Stock Account Statements	Exchange Act Rule 15g-6	17 CFR240.15g-6	1
34 R15G-05	Penny Stock Compensation of Associated Persons	Exchange Act Rule 15g-5	17 CFR240.15g-5	1
34 R15G-04	Penny Stock Disclosure of Compensation	Exchange Act Rule 15g-4	17 CFR240.15g-4	1
34 R15C1-5	BD Control Disclosure	Exchange Act Rule 15c1-5	17 CFR240.15c1-5	1
MSRBG08	Books and Records	MSRB Rule G-08	MSRB Rule G-8	1
34 R15C2-1	Hypothecation	Exchange Act Rule 15c2-1	17 CFR240.15c2-1	1
34 R15G-02	Penny Stock Risk Disclosure	Exchange Act Rule 15g-2	17 CFR240.15g-2	1
34 R15D-13	10-Q Report	Exchange Act Rule 15d-13	17 CFR240.15d-13	1
34 R15D-11	8-K Report	Exchange Act Rule 15d-11	17 CFR240.15d-11	1
34 R15C2-4	Underwriting Payments	Exchange Act Rule 15c2-4	17 CFR240.15c2-4	1
MSRBG03	Classification of Principals	MSRB Rule G-03	MSRB Rule G-3	1
34 R15G-03	Penny Stock BD Disclosure	Exchange Act Rule 15g-3	17 CFR240.15g-3	1
34 R12B-25	Inability to Timely File	Exchange Act Rule 12b-25	17 CFR240.12b-25	1

<i><b>Code</b></i>	<i><b>Description</b></i>	<i><b>Violation Cite</b></i>	<i><b>Violation Long</b></i>	<i><b># Times</b></i>
34 R13A-10	Transition Reports	Exchange Act Rule 13a-10	17 CFR240.13a-10	1
34 R13E-03	Going Private Transaction	Exchange Act Rule 13e-3	17 CFR240.13e-3	1
34 R14A-03	Proxy Information to Security Holders	Exchange Act Rule 14a-3	17 CFR240.14a-3	1
34 R14A-06	Proxy Filings Requirements	Exchange Act Rule 14a-6	17 CFR240.14a-6	1
34 R14A-10	Proxy Prohibited Solicitations	Exchange Act Rule 14a-10	17 CFR240.14a-10	1
34 §15BA1	Municipal Securities Registration	Exchange Act §15B(a)(1)	15 USC78o-4(a)(1)	1
34 §15CA1	Govt Securities BD Registration	Exchange Act §15C(a)(1)(A)	15 USC78o-5(a)(1)(A)	1
IC §20	Proxies, Voting Trusts, Circular Ownership	Investment Company Act	15 USC80a-20	1
34 R10B-13	Tender Offer Limitations	Exchange Act Rule 10b-13	17 CFR240.10b-13	1
IC R20A-01	Solicitation of Proxies	Investment Company Rule 20a-1	17 CFR270.20a-1	1
34 §12(g)	Securities registration requirements	Exchange Act §12(g)	15 USC78l(g)	1
IA §204A	Insider Trading Policies	Advisers Act §204A	15 USC80b-4a	1
34 §15B1	Broker-Dealer Registration	Exchange Act §15(b)(1)	15 USC78o(b)(1)	1
34 R17AD-11	Reports Regarding Aged Records	Exchange Act Rule 17Ad-11	17 CFR240.17Ad-11	1
IC §37	Larceny and Embezzlement	Investment Company Act	15 USC80a-36	1
34 R17A-13	Quarterly Security Counts	Exchange Act Rule 17a-13	17 CFR240.17a-13	1
IC §57	Transactions with Affiliates	Investment Company Act	15 USC80a-56	1
34 §15CE	Govt Securities BD Securities Requirement	Exchange Act §15C(e)	15 USC78o-5(c)	1



# APPENDIX C

## *Count Per Relief*

*Aiders & Abettors, Primary Violators, and Both*  
*Description*

*# Times*

PERMANENT INJUNCTION	782
PENALTIES	730
DISGORGEMENT	673
CEASE AND DESIST-PERMANENT	613
BAR FROM ASSOCIATION - BD	434
BAR FROM ASSOCIATION - IA	220
CENSURE	211
BAR FROM ASSOCIATION - IC	162
UNDERTAKINGS	144
SUSPENSION FROM ASSOCIATION - BD	122
BAR FROM ASSOCIATION (-OTHER)	107
RULE 102(E) PRACTICE PROHIBITED / SUSPENSION	82
SUSPENSION FROM ASSOCIATION - IA	73
PENNY STOCK BAR	68
SUSPENSION FROM ASSOCIATION - IC	59
OFFICER AND DIRECTOR BAR	33
FAILURE TO SUPERVISE FINDING	32
INTERNAL PROCEDURES	26
REGISTRATION REVOKED (-OTHER)	19
REGISTRATION REVOKED - BD	19
REGISTRATION REVOKED - IA	16
SUSPENSION FROM ASSOCIATION (-OTHER)	9
RECEIVER APPOINTED	6

***Description******# Times***

LIMITATION ON ACTIVITIES	2
CEASE AND DESIST-TEMPORARY	1
REGISTRATION REVOKED - IC	1

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# APPENDIX D

## Count Per Relief

### Failure to Supervise

<i>Description</i>	<i># Times</i>
PENALTIES	57
SUSPENSION FROM ASSOCIATION - BD	32
CENSURE	30
FAILURE TO SUPERVISE FINDING	22
UNDERTAKINGS	14
LIMITATION ON ACTIVITIES	8
BAR FROM ASSOCIATION - BD	7
SUSPENSION FROM ASSOCIATION - IA	5
SUSPENSION FROM ASSOCIATION (-OTHER)	4
CEASE AND DESIST-PERMANENT	4
DISGORGEMENT	2
BAR FROM ASSOCIATION - IA	2
REPORT ORDERED	1
REGISTRATION REVOKED - BD	1
BAR FROM ASSOCIATION - IC	1
INTERNAL PROCEDURES	1