

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:)
)
LEGEND SECURITIES, INC.)
CRD # 44952 ,)
)
 Respondent.)

**ADMINISTRATIVE ORDER
File Number 14108**

~~WHEREAS, the Commission, on July 1, 2008, issued an order...~~

South Carolina (the "Division") has been authorized and directed by the Securities Commissioner of South Carolina (the "Securities Commissioner") to administer the provisions of S.C. Code Ann. § 35-1-101, *et seq.*, the South Carolina Uniform Securities Act of 2005 (the "Act"); and

WHEREAS, based on the information received, the Division decided it was necessary and appropriate to open an examination of Legend Securities, Inc. CRD Number 44952

III. STATEMENT OF FACTS

3. At all times relevant to this order, the Respondent was registered as a broker-dealer in South Carolina.

5. Since 2012, approximately thirty agents have effected the purchase or sale of securities for South Carolina residents.

UNREASONABLE FEES

6. Among other fees and commissions, the Respondent charges a \$50 annual fee on each

account at \$14.11, imposing a \$40 commission and another \$49.00 fee, a total transaction expense of 48.52%.

11. Assuming Client A liquidated his remaining holdings, 26 shares, and no commission or

the Commission Fee for Client A liquidating the remaining shares at \$14.512 = 52%

§ 12 requires to cover the \$50 annual fee. The Dependent shared Client D an additional

28 The Fee was mischaracterized as the confirmation sent to the customer, the information

sent to the clearing broker, or both.

29 Further, the Fee was assessed differently to different customers, with some customers

being charged no fees, some customers differing amounts, and others the \$49.00 fee

38. In its response, Respondent failed to provide documents from which a sufficient

suitability review could have been made regarding trades in Client D's account

39. The Respondent failed to obtain information necessary to determine if reasonable grounds existed to believe the securities transactions it recommended and/or effected in Client B's account were suitable for the customer.

WRITTEN SUPERVISORY PROCEDURES DEFICIENCIES

40. The Respondent's written supervisory procedures ("WSP") state, "[r]ecommendations to purchase or sell short OTC equity securities require completion of Legend's OTC Equity Securities Suitability Form **prior to** making the recommendation" (emphasis in original).

41. The Respondent defines an OTC equity security as "any non-exchange-listed security," among other things.

42. The Respondent failed to provide documents from which a sufficient

47. The events above demonstrate that in at least 13 instances, the Respondent failed to enforce their WSPs concerning sales of OTC equity securities made to South Carolina clients.

FRAUD IN CONNECTION WITH THE OFFER AND SALE OF A SECURITY

48. According to disclosures made on the OTC Market, GTAT declared bankruptcy on

October 6, 2014.

49. In the days following GTAT's bankruptcy declaration, the Respondent solicited 1,000 share buy orders from two South Carolina clients on October 7, 2014 and October 9

2014.

50. In connection with the offer and sale of the GTAT securities to the South Carolina clients above, the Respondent failed to disclose GTAT's bankruptcy.

51. GTAT's bankruptcy is a material fact as it relates to decisions to invest in GTAT.

55. S.C. Code of Regulations R. 13-501(A) requires each broker-dealer to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

56. On five or more occasions, the Respondent charged an unreasonable \$49.00 handling fee to execute a securities transaction intended to generate cash in order to pay a \$50 annual fee, and thus failed to observe high standards of commercial honor and just and equitable principles of trade in violation of S.C. Code of Regulations R. 13-501(A).

57. Further, S.C. Code of Regulations R. 13-501(A)(2) defines dishonest or manipulative

practices to include recommending to a customer the purchase, sale or exchange of any security without reasonable grounds to believe that such transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's

investment objectives, financial situation, and needs, and the customer's ability to bear the risk of loss.

60. S.C. Code of Regulations R. 13-501(A)(11) defines dishonest or unethical practices to include charging unreasonable and inequitable fees for services performed, including ~~miscellaneous services such as collection of monies due for principal dividends or~~

interest, exchange or transfer of securities, appraisals, safekeeping, or custody of securities and other services related to its securities business.

61. On at least four hundred occasions, the Respondent charged an unreasonably high handling fee that was unassociated with any costs being imposed on the Respondent in violation of S.C. Code of Regulations R. 13-501(A)(11)

62. Further, S.C. Code of Regulations R. 13-501(A)(11) defines dishonest or unethical

less than 5% may be considered unfair or unreasonable. This has been interpreted to be a guideline and not a rule.

66. On at least four hundred occasions, the Respondent charged an unreasonably high handling fee that was unassociated with any costs being imposed on the Respondent in

violation of FINRA Rule 2122 and S.C. Code of Regulations R. 13-501(A)(21).

67. On more than one occasion, the Respondent charged handling fees which, alone or in conjunction with additional commissions, resulted in charges or markups in excess of 5% in violation of FINRA Rule 2122 and S.C. Code of Regulations R. 13-501(A)(21).

68. On more than one occasion, the Respondent charged different customers different handling fees in violation of FINRA Rule 2122 and S.C. Code of Regulations R. 13-

501(A)(21).

69. Pursuant to S.C. Code of Regulations R. 13-501(C), opening is substantially a

72 On more than one occasion, the Respondent failed to enforce the Respondent's written

VI. REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondent is hereby notified that it has the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file a written Answer specifically requesting a hearing with the Securities Division, Post Office Box 11549, Rembert

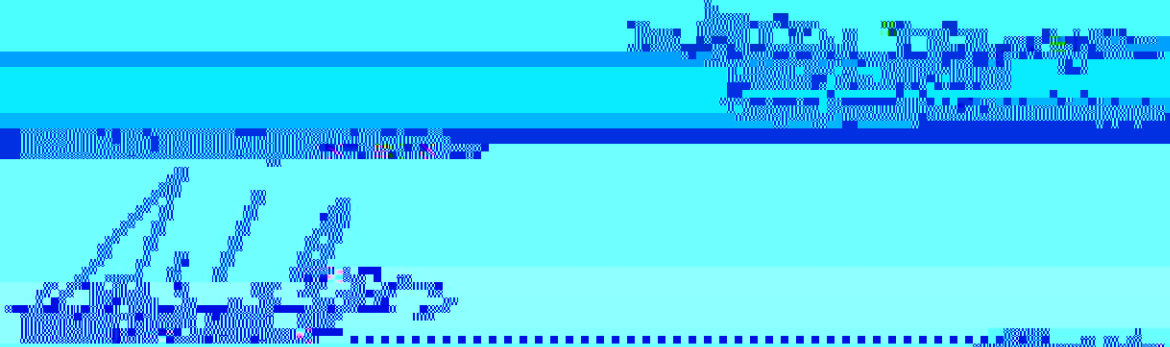
C. Dennis Building, Columbia, South Carolina 29211-1549. Telephone: (803) 734-1111.

within thirty (30) days after the date of this Administrative Order. If a Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from a Respondent, will schedule the hearing for the requesting Respondent(s).

In the written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent

ENTERED this the 18th day of 1957

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UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D. C. 20535

MEMORANDUM FOR THE DIRECTOR
FROM: SAC, [illegible]
SUBJECT: [illegible]

[illegible text]

[illegible text]

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