

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

STATE OF IDAHO, Department of)	
Finance, Securities Bureau,)	Docket No. 2003-7-31
)	
Complainant,)	AGREEMENT AND ORDER
)	
vs.)	
)	
WORLD GROUP SECURITIES, INC.,)	
)	
)	
Respondent.)	
_____)	

The Director of the Department of Finance has investigated the conduct of World Group Securities, Inc. (“WGS”) (Respondent) in the securities business. Pursuant to said investigation, it appears to the Director that violations of the Idaho Securities Act, Idaho Code §30-1401, *et seq.*, have occurred. The Director and Respondent have agreed to resolve this matter without a public hearing.

BACKGROUND

1. Respondent WGS became an Idaho registered broker-dealer on January 28, 2002.
2. From October 14-24, 2002, representatives of the Complainant conducted a routine examination of the WGS branch office located at 410 Memorial Drive,

Idaho Falls, ID. Gary Schiess is an OSJ supervisor and a branch office manager (BOM) at the aforementioned Idaho Falls location.

3. On January 29, 2003, representatives of the Complainant conducted a limited scope examination of WGS registered representative information. This examination took place at the WGS branch office located at 6901 West Emerald, Ste. 201 Boise, ID. Kim Whiting is the OSJ and BOM of the aforementioned Boise location.

DEPARTMENT'S FINDINGS AND CONCLUSIONS

4. The procedures of WGS require the BOM conduct monthly and quarterly interviews with each representative under supervision. The monthly and quarterly interview is recorded on a form that is maintained in the representative's file.
5. The Idaho Falls examination found:
 - 38 missing monthly interviews.
 - 2 incomplete monthly interviews.
 - 1 backdated monthly interview.
 - 1 blank photocopied monthly interview signed by the representative.
 - 5 in-person interviews missing representative signatures.
 - 1 monthly interview missing branch manager or delegate signature.
 - 12 missing quarterly interviews.
 - 5 quarterly interviews that failed to evidence the representative's signature.

Documentation reviewed during the examination revealed that the issue of the missing interviews had been brought to the attention of Mr. Schiess prior to

the examination. Mr. Schiess failed to take action to correct this deficiency and enforce WGS's procedures. WGS's internal audit conducted prior to the examination failed to detect these violations of WGS procedure. Based on the aforementioned examination findings, it appears that WGS violated NASD Rule 3010(b)(1) which addresses the failure to enforce written procedures. WGS is also in violation of Rule 119.01 and Rule 119.03(d) of the Idaho Securities Act for failing to enforce its written procedures and to exercise diligent supervision over the securities activities of its salesmen and employees.

6. WGS procedures require representatives wishing to engage in outside business activities (OBA) to submit to the BOM 1) a completed Form U-4 amendment, 2) an outside business activities questionnaire, and 3) obtain the BOM's written approval before engaging in the activity. Upon approval of the OBA, the BOM is instructed to send an approval letter to the representative and the WGS Registration Department, which will then update the representative's Form U-4.
7. The Idaho Falls examination found:
 - OBA questionnaires and U-4 amendments for mortgage-brokering activities had not been completed for Mr. Schiess or for 7 of the representatives Schiess supervised.
8. The Boise examination found:
 - Mr. Whiting had failed to amend his Form U-4 to reflect his affiliation and ownership of Community Financial Group, a mortgage-brokering firm.

- An incomplete OBA form for Community Financial Group was located in Mr. Whiting's file.
- Seven representatives that Whiting supervised had failed to complete U-4 amendments for OBA.
- **Four representatives that Whiting supervised had failed to complete an OBA questionnaire.**

It appears that confusion may have existed among WGS registered representatives concerning the need for OBA disclosure because of the Affiliate Broker Program instituted by WGS. However, WGS issued several Compliance Bulletins, including a Compliance Bulletin on December 19, 2002 regarding OBA concerns addressed in the Complainant's initial comment letter. As of January 29, 2003, as evidenced through the Boise branch office examination, corrections had not been implemented in the Boise office. Based on the aforementioned examination findings, it appears that WGS violated NASD Rule 3010(b)(1), Rule 119.01 and Rule 119.03(d) of the Idaho Securities Act by failing to enforce its written procedures and to exercise diligent supervision over the securities activities of its salesmen and employees.

8. NASD Rule 3010(b)(1) requires members to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and with the applicable rules of the NASD.

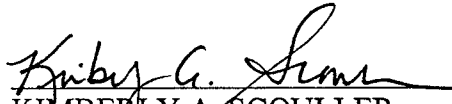
9. Rule 119.01 of the Idaho Securities Act requires every broker-dealer to exercise diligent supervision over the securities activities of all of its salesmen and employees.
10. Rule 119.03(d) of the Idaho Securities Act requires every broker-dealer to **establish, maintain and enforce written procedures including the review of** back office operations which include systems and procedures pertaining to the currency and accuracy of books and records.
11. The Department concludes that Respondent failed to enforce its written procedures and exercise diligent supervision over the securities activities of its salesmen in violation of NASD Rule 3010(b)(1), and Rules 119.01 and Rule 119.03 of the Idaho Securities Act.

REMEDIES

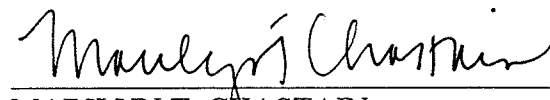
12. Respondent neither admits nor denies the Department's conclusion that the findings of fact constitute violations of the cited rules contained in this Agreement and Order.
13. Respondent agrees to pay a fine to the Department in the amount of \$15,000 within thirty (30) days of the date of this Agreement and Order.
14. Respondent agrees to enforce its procedures relating to 1) the timely submission of Form U-4 amendments, 2) the proper documentation for outside business activities, and 3) other policies and procedures designed to achieve compliance with applicable securities laws and regulations.
15. Respondent agrees to comply with the provisions of the Idaho Securities Act in future securities transactions. Respondent further agrees that, should the Director find in the future that the Respondent has committed any additional

violations of the Act, the Department may use all allegations contained in the Agreement and Order, and any other allegations concerning violation of the Act by the Respondent, in any subsequent proceeding.

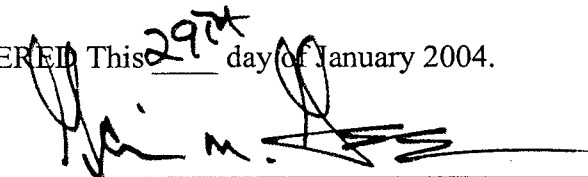
DONE AND DATED at Boise, Idaho this 21st day of January 2004.


KIMBERLY A. SCULLER
President
World Group Securities Inc.

DONE AND DATED at Boise, Idaho this 29th day of January 2004.


MARILYN T. CHASTAIN
Bureau Chief, Securities Bureau
Department of Finance, State of Idaho

IT IS SO ORDERED This 29th day of January 2004.


GAVIN M. GEE
Director
Department of Finance, State of Idaho

