

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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IN THE MATTER OF: SOUTHWEST SECURITIES, INC.

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) File No. 1200157  
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Notice of Hearing

TO THE RESPONDENT: Southwest Securities, Inc.  
CRD NO. 6220

c/o Mr. Jerome Stephen Wade  
Vice President and General Counsel  
Southwest Securities, Inc.  
1201 Elm St.  
Dallas, TX 75270-2180

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702, on the 18<sup>th</sup> day of July 2012 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order should be entered against Southwest Securities, Inc. ("Southwest Securities") which suspends or revokes its dealer registration, prohibits it from offering or selling securities in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

1. Respondent, Southwest Securities, Inc. ("Southwest Securities"), beginning in 1982 and up to the present, is registered as a securities dealer with the Illinois Securities Department.

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2. Southwest Securities, at all times relevant, has operated as a securities dealer and clearing firm in the State of Illinois.
3. As a securities dealer and clearing firm, Southwest Securities is required to keep and maintain certain business records, including client account applications, trade tickets, trade logs, cash receipt logs and correspondence, including emails.
4. As part of an ongoing investigation, the Illinois Securities Department, (the "Department") issued a subpoena dated April 3, 2012 to Southwest Securities requiring the production of certain documents relevant to the Department's investigation (the "Subpoena").
5. On April 19, 2012, the Department received from Southwest Securities a response to the Subpoena that, as to item 4 of the Subpoena, stated that Southwest Securities had no documents responsive to this request.
6. On April 25, 2012, in the course of its ongoing investigation, the Department discovered evidence that Southwest Securities may have documents responsive to item 4 of the Subpoena.
7. Also on April 25, 2012, the Department issued an 11.C letter request to Southwest Securities for an affidavit explaining what steps or inquiries had been taken and databases reviewed in preparing the response to the Subpoena.
8. On May 4, 2012, the Department received a response to the April 25, 2012 11.C letter which stated that a database called the CSS database had been reviewed in response to item 4 of the Subpoena.
9. Also, on May 4, 2012, the Department contacted Southwest Securities regarding the nature of the CSS database and was informed that the CSS database contained information regarding trade tickets and securities transactions cleared by Southwest Securities as well as client clearing information. Additionally, Southwest Securities stated that this database was searched by Southwest Securities for information responsive to the Subpoena with a negative result.

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10. The Department also inquired regarding whether an email search was conducted and was advised by Southwest Securities that no email search was conducted.
11. In the course of its investigation, the Department has uncovered evidence that trade tickets, trade transactions, wire transfers and email correspondence are or were in the possession of Southwest Securities responsive to the Subpoena and were wrongfully withheld from the Department despite the Department's subpoena and inquiries regarding the same.
12. That by virtue of the foregoing, Southwest Securities has violated sections 12.D and E of the Act.
13. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D or E of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in or from this State.
14. That by virtues of the foregoing, the Respondent is subject to an order prohibiting it from offering or selling securities in or from this State.
15. That by virtue of the foregoing the Respondent's registration as a Dealer is subject to a suspension or revocation pursuant to Section 8.E.1 (g), (m) and (r) of the Act.
16. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
17. That by virtue of the foregoing, Southwest Securities, Inc. is subject to a fine of up to \$10,000.00 per violation, an order of censure and an order that suspends or revokes its Dealer registration in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the

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receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondents.

Dated this 7<sup>th</sup> day of May 2012.

  
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Jesse White  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
David Finnigan  
Illinois Securities Department  
300 W. Jefferson St. Suite 300A  
Springfield, Illinois 62702  
Telephone: (217) 785-4947

Hearing Officer:  
Jon K. Ellis  
1035 S. 2<sup>nd</sup> St.  
Springfield, Illinois 62704  
217-528-6835  
Fax 217-528-6837