

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

---

IN THE MATTER OF: SOUTHWEST SECURITIES, INC.

---

)  
)  
) File No. 1200157  
)  
)

Consent Order

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

c/o Ms. Lisa Nielsen  
Greensfelder, Hemker and Gale, PC  
10 South Broadway, Suite 2000  
St. Louis, MO 63102

WHEREAS, Southwest Securities, Inc. on November 19, 2012 executed a certain Stipulation To Entry Of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein

WHEREAS, by means of the Stipulation, the Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

Consent Order

-2-

WHEREAS, the Respondent has acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

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.
2. Southwest Securities, at all times relevant, has operated as a clearing firm in the State of Illinois.
3. As a clearing firm, Southwest Securities is required to keep and maintain certain business records.
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 a 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.

Consent Order

-3-

8. On May 4, 2012, the Department received a response to the April 25, 2012 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 the specific securities identified in item number 4 of the Subpoena with a negative result.
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 uncovered documents that are or were in the possession of Southwest Securities responsive to the Subpoena.
12. 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.
13. That by virtue of the foregoing, Southwest Securities, Inc. may be 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.

WHEREAS, the Respondent has acknowledged that the allegations contained in paragraph eight (8) of the Stipulation

Consent Order

-4-

shall be adopted as the Secretary of State's Conclusions of Law as follows:

1. That by virtue of the foregoing, Southwest Securities, Inc. may be subject to an order which could fine it up to \$10,000 per violation.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law;
2. Respondent shall pay costs of investigation in this matter of \$7,500 by a check made payable to the Illinois Securities Department's Audit and Enforcement Fund within in ten days of the date of entry of the Consent Order;
3. No Disqualification. The Consent Order entered into hereby waives any disqualification contained in the laws of Illinois, or rules or regulations thereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions to which Southwest Securities or any of its affiliates may be subject. This Consent Order will not subject Southwest Securities to any disqualification under the laws of Illinois, its rules or regulations and is not intended to form the basis or subject Southwest Securities or any of its affiliates to any disqualifications or regulatory actions contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' or U.S. Territories' securities laws, including, without limitation, any disqualifications from relying upon the registration exemptions or safe harbor provisions. It is specifically not to be construed as an adverse administrative order by the State of Florida or any other jurisdiction noted above.

Consent Order

-5-

4. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 20<sup>th</sup> day of November, 2012.

*Jesse White*

JESSE WHITE

Secretary of State

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

Attorney for the Secretary of State:

David Finnigan

Illinois Securities Department

300 W. Jefferson St. Suite 300A

Springfield, Illinois 62702

Telephone: (217) 785-4947

Enforcement Fax: (217) 782-8876