

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63354 / November 22, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-14132

In the Matter of

**WORLD GROUP
SECURITIES, INC.**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF
THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against World Group Securities, Inc. (“WGS” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

These proceedings arise out of Respondent's failure to enforce a reasonable system of supervisory policies and procedures to prevent and detect fraudulent conduct by certain registered representatives and to maintain a guideline ratio of registered representatives to supervisors in its Pomona, California branch office from the beginning of 2006 through May 2007 (the "Time Period"). During the Time Period, Respondent failed to require its Pomona branch office to maintain enough supervisors to adequately supervise the branch. While Respondent undertook efforts to add supervisors to, and remove registered representatives from, that office, it failed to do so in a reasonable period of time. During the Time Period, certain registered representatives in the Pomona branch office made unsuitable investment recommendations to customers.

Respondent

1. Respondent, World Group Securities, Inc., a Delaware corporation, has been registered as a broker-dealer with the Commission and a member of the FINRA (formerly the NASD) since January 23, 2002.

Certain Registered Representatives Recommended Unsuitable Securities

2. Certain registered representatives in the Pomona branch office recommended the use of home equity to purchase variable universal life insurance policies, the recommendation of which was unsuitable.

Respondent's Failure to Supervise

3. During 2005, the WGS Pomona branch office experienced significant growth. By June 2005, the Pomona branch office manager supervised approximately 62 registered representatives.

4. In or around April 2006, there were approximately 185 pending and active registered representatives in the Pomona branch office and only three branch supervisors. Subsequently, the Pomona branch had approximately 225 pending and active registered representatives with approximately three branch supervisors. WGS learned of the growth of the Pomona branch office and the number of supervisors in that office.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. WGS advised the branch office manager in the Pomona branch to add additional supervisors, but the branch office manager failed to do so in a timely manner.

6. In January 2007, WGS placed the Pomona branch office manager on a Performance Improvement Plan (“PIP”), requiring him to increase the number of supervisors by five and reduce the ratio of registered representatives to supervisors to 40:1 as an initial step and then to achieve a ratio of 20:1 thereafter, with a total of 12 supervisors. WGS required that additional supervisors be trained and deployed, but the branch office manager failed to do so in a timely manner.

7. The branch office manager failed to adhere to the requirements of the PIP and, as of May 2007, the Pomona branch office still did not have an adequate number of supervisors. On May 21, 2007, WGS replaced the branch office manager in the Pomona branch and undertook other measures to ensure an appropriate ratio of registered representatives to supervisors in that office.

8. WGS has Written Supervisory Procedures (“WSPs”) in effect. Every version of the WSPs during the 2004 to 2007 time period included the following language: “A Field Representative may not recommend to a client that he take out a policy loan, home equity line of credit, or any other loan to pay for a securities purchase.”

9. WGS has Transaction Guidelines in effect. The Transaction Guidelines in effect during the 2004 to 2007 time period contained multiple references to WGS’s prohibition on the use of home equity to purchase a securities product.

10. WGS has issued multiple Supervisory and Compliance Alerts and Bulletins emphasizing and reminding registered representatives of WGS’s prohibition on the use of home equity to purchase a securities product, including during the 2004 to 2007 time period.

11. Part of the duties and responsibilities of the Pomona branch office manager included ensuring that the registered representatives under his supervision were aware of WGS’s policies and procedures prohibiting registered representatives from recommending that customers use home equity to purchase securities.

12. During the Time Period, the branch office manager in the Pomona branch failed to communicate WGS’s policies to the registered representatives he supervised. In addition, he did not have required quarterly meetings with registered representatives to discuss WGS’s policies, transaction guidelines, or supervisory and compliance alerts and bulletins.

13. Certain registered representatives in the Pomona branch office stated that they were not aware of the foregoing WGS policies and made unsuitable investment recommendations to customers, including recommendations to use home equity to purchase variable universal life insurance policies.

14. Based on the conduct described above, certain WGS registered representatives in the Pomona branch office violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by recommending that customers purchase unsuitable securities.

15. Based on the conduct described above, Respondent failed reasonably to supervise certain registered representatives in its Pomona branch office within the meaning of Section 15(b)(4)(E) of the Exchange Act with a view to preventing and detecting their violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

WGS's Remedial Efforts

In determining to accept this Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff. The remedial acts include, but are not limited to: enhanced disclosure on order tickets; issuing additional written guidance to registered representatives regarding WGS's prohibition on using home equity to purchase securities; increasing the number of employees in the Business Review Department; generating exception reports on the number of registered representatives per supervisor/branch office; terminating approval of mortgage-related outside business activities through a program that is now inoperative; and enhancing regional supervision with a focus on registered representative interviews, reviews, training, and audits.

Undertaking

Respondent undertakes to retain, within 30 days of the date of entry of the Order, at its own expense, the services of an outside vendor not unacceptable to the Division of Enforcement of the Commission to provide suitability training to WGS that will be required to be given to each registered representative annually for the next two years focusing specifically on: (a) suitability of variable universal life insurance policies, and (b) suitability considerations related to using home equity to purchase securities.

Respondent agrees to certify, in writing, compliance with the undertaking set forth above. The certification shall identify the undertaking, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Karen L. Martinez, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertaking, including annual certification of the completion of the suitability training.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent WGS's Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act, it is hereby ORDERED that:

A. Respondent WGS is censured.

B. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$200,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Such payment shall be: (A) made

by wire transfer, United States postal money order, certified check, bank cashier's check, or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies WGS as a Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Kenneth Israel, Director, Division of Enforcement, Securities and Exchange Commission, Salt Lake Regional Office, 15 W. South Temple, Suite 1800, Salt Lake City, UT 84101.

C. Respondent shall comply with the undertaking enumerated in Section III above.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (the "Order"), on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
Securities and Exchange Commission
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