

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

NEVWEST SECURITIES CORPORATION
(CRD No. 46464),

SERGEY RUMYANTSEV
(CRD No. 4009791),

and

ANTONY M. SANTOS
(CRD No. 3239243),

Respondents.

Disciplinary Proceeding
No. E0220040112-01

Hearing Officer - AP

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

DATE: March 13, 2007

INTRODUCTION

Department of Enforcement of NASD (Complainant) initiated this Disciplinary Proceeding on September 25, 2006. Respondents NevWest Securities Corporation, Sergey Rumyantsev and Antony M. Santos submitted an Offer of Settlement to Complainant on February 26, 2007. Pursuant to Code of Procedure Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC) Review Subcommittee or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to Code of Procedure Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understand that this Order will become part of Respondents' respective permanent disciplinary records and may be considered in any future actions brought by NASD.

BACKGROUND

NevWest has been a member of NASD since October 19, 1999. Since September 4, 2001, NevWest has been registered with the MSRB. NevWest is headquartered in Las Vegas, Nevada and employs approximately 10 registered representatives. During all times relevant to the Complaint, NevWest primarily engaged in the liquidation of low-priced securities, sold largely in the over-the-counter market (OTC) including the Pink Sheets. NevWest also acts as a market maker in low-priced securities and participates in private placement offerings.

Rumyantsev has been associated with NevWest since August 1, 1999. Rumyantsev became registered as a General Securities Representative (Series 7) in 1999, as an Equity Trader Representative (Series 55) in 1999, as a General Securities Principal (Series 24) in 1999, as a Municipal Securities Principal (Series 53) in 2001, as a Financial and Operations Principal (Series 27) in 2002 and as a Compliance Registered Options Principal (Series 4) in 2004. Rumyantsev also serves as NevWest's Chief Executive Officer and Head Trader.

Santos has been associated with NevWest since April 30, 1999. Santos became registered as a General Securities Representative (Series 7) and as a General Securities Principal

(Series 24) in July 1999. Santos also serves as the firm's Executive Vice President, Chief Compliance Officer, and on occasion, as the firm's General Counsel.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

First Cause of Action (Inadequate Anti-Money Laundering Program – Violation of NASD Conduct Rules 3011 and 2110 by NevWest, Santos and Rumyantsev and Violation of MSRB Rule G-41 by NevWest)

Between January 1, 2003 and May 31, 2005, NevWest, acting through Rumyantsev and Santos, failed to adequately implement and enforce anti-money laundering (AML) procedures in accordance with NASD Conduct Rules 3011 and 2110, and NevWest violated Municipal Securities Rulemaking Board (MSRB) Rule G-41. For example, NevWest failed to adequately perform due diligence, file Suspicious Activity Reports (SAR) or cease trading in multiple accounts owned and controlled by JE, NevWest's customer, regarding over 500 transactions, involving more than 250 billion shares of sub-penny stock issued by CMKM Diamonds, Inc. (CMKM) totaling over \$53.0 million. As a result of these sales, NevWest earned commission revenue totaling \$2.5 million, which accounted for approximately 36% of the firm's total revenue during the relevant period.

Moreover, between January 2003 and December 2004, NevWest failed to adequately perform due diligence, file SARs, or cease effecting wire transfers involving \$43 million through 139 separate wires from at least 28 of the accounts JE had opened at NevWest to various bank accounts.

NASD Conduct Rule 3011, adopted on April 24, 2002 and amended on October 22, 2002, requires all member firms to "develop and implement a written anti-money laundering

program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), and the implementing regulations promulgated thereunder by the Department of the Treasury.”

NASD Conduct Rule 3011(a) requires NASD members to establish and implement policies and procedures “that can be reasonably expected to detect and cause the reporting of” suspicious activity and transactions.

The United States Department of the Treasury issued the implementing regulation, 31 CFR § 103.19(a)(1), on July 2, 2002, for suspicious transaction reporting for broker-dealers. It provided that, with respect to any transaction after December 30, 2002, “[e]very broker or dealer in securities within the United States . . . shall file with FinCEN . . . a report of any suspicious transaction relevant to a possible violation of law or regulation.” Section (a)(2) of that regulation provides:

A transaction requires reporting . . . if it is conducted or attempted by, at, or through a broker-dealer, it involves or aggregates funds or other assets of at least \$5,000, and the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- (i) Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- (ii) Is designed, whether through structuring or other means, to evade any requirements of this part or any other regulations promulgated under the Bank Secrecy Act, . . . ;
- (iii) Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation

for the transaction after examining the available facts, including the background and possible purpose of the transaction; or

- (iv) Involves use of the broker-dealer to facilitate criminal activity.

In August 2002, NASD issued Notice to Members (NTM) 02-47, which set forth the provisions of the final AML rule for suspicious transaction reporting promulgated by the United States Department of the Treasury for the securities industry. This NTM further advised broker-dealers of their duty to file a SAR for certain suspicious transactions occurring after December 30, 2002. NTM 02-47 discusses Treasury's release adopting the final suspicious activity reporting rule for broker-dealers. Treasury's release states that broker/dealers should determine whether activities surrounding certain transactions raise suspicions of no business or apparent lawful purpose by looking for "red flags" such as those enumerated in NASD NTM 02-NTM 02-21, which was adopted in April 2002, advised broker-dealer firms of the requirements of their AML procedures, including that AML procedures apply to:

- a. account opening and maintenance, including verification of the identity of the customer;
- b. monitoring of account activities, including but not limited to, trading and the flow of money into and out of the account, the types, amount, and frequency of different financial instruments deposited into and withdrawn from the account, and the origin of such deposits and the destination of withdrawals; and
- c. monitoring for, detecting, and responding to "red flags."

NTM 02-21 emphasized each firm's duty to detect red flags and, if it detects any, "perform additional due diligence before proceeding with the transaction." NTM 02-21 also set forth examples of "red flags," including but not limited to:

- a. Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds or other assets;
- b. The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent business purpose or other purpose;
- c. For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers; and
- d. The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.

The SAR form indicates 20 “Type[s] of suspicious activity” that must be reported, including “Market manipulation,” “Money laundering/Structuring,” “Prearranged or other non-competitive trading,” “Securities fraud,” “Significant wire or other transactions without economic purpose,” “Suspicious documents or ID presented,” “Wash or other fictitious trading,” “Wire fraud,” and “Other.”

MSRB Rule G-41, which the SEC approved on July 11, 2003, requires every NASD member broker, dealer and municipal securities dealer to establish and implement an AML compliance program designed to achieve and monitor ongoing compliance with the requirements of NASD Conduct Rule 3011. On July 16, 2003, the MSRB issued Notice 2003-28 announcing that Rule G-41 had been approved.

Customer JE’s Activities at NevWest

In or about September 2002, JE began opening accounts with a registered representative at NevWest. From 2002 through December 2004, JE opened and controlled 32 accounts for

various trusts and corporate entities, including one personal retirement account (collectively JE's accounts). JE opened: five accounts in 2002; 19 accounts in 2003; and eight accounts in 2004.

In or about January 2003 and continuing through at least January 2005, JE completed new account documents for some of the accounts opened with NevWest. For example, JE completed new account documents to reflect changes made to the various trusts and corporate entities. Additionally, JE completed new account documents for several of his accounts when NevWest switched clearing firms.

According to the new account documents, JE acted as Trustee on behalf of each of the 26 trust accounts he opened at NevWest. The Declaration of Trust documents JE submitted in connection with the trust accounts do not identify any beneficiary, but instead state that JE, as trustee, may sell units of beneficial interest in the trusts to purchasers.

JE also served as the sole officer and director for each of the five corporate accounts he opened at NevWest.

The customer address in 30 of JE's 32 accounts was 7500 West Lake Meade Boulevard, Suite 9627, Las Vegas, Nevada 89128. JE also used his personal social security number as the tax identification number in 29 of JE's 32 accounts.

Shortly after JE began opening accounts at NevWest, he developed a trading pattern of physically carrying into the firm, certificates of low-priced securities. In February 2003, JE began to deposit shares of CMKM into the various accounts he opened at NevWest. JE instructed NevWest, through his registered representative, to expeditiously liquidate the certificates, and to immediately wire all sales proceeds to various bank accounts. The bank account owner of record rarely matched the name of the NevWest account holders.

Until trading in CMKM shares was permanently halted by court order dated October 28, 2005, CMKM shares traded in the Pink Sheets, first under the symbol “CMKM,” and later under the symbol “CMKX,” through matched trades of unsolicited orders.

During the relevant period, JE sold approximately 259 billion shares of CMKM through NevWest, at an average price of \$0.00021 per share. NevWest executed trades for JE’s accounts in agency transactions. During the relevant period the price of CMKM shares generally ranged from a high of \$0.00057 per share in June 2004 to a low of \$0.00005 price per share in May 2005.

Transactions in 2003

The number of transactions and the amounts of CMKM certificates JE sold through NevWest increased over time. During 2003, JE sold a total of 4.3 billion shares of CMKM, in 66 transactions, which resulted in sales proceeds to JE totaling over \$401,000 as follows:

JE’s CMKM Transactions in 2003			
Month	Shares Sold	Proceeds	Number of Transactions
Mar	1,450,000	\$2,320	2
Apr	2,000,000	\$1,100	1
May	15,000,000	\$6,000	2
June	2,800,000	\$1,480	2
July	-	-	0
Aug	19,000,000	\$6,150	7
Sep	130,000,000	\$31,870	11
Oct	2,405,600,000	\$200,034	28
Nov	733,000,000	\$60,590	8
Dec	1,030,000,000	\$92,400	5
2003 Totals	4,338,850,000	\$401,944	66

During 2003, JE wired a total of over \$1.4 million from accounts with NevWest in 49 separate transactions, which included proceeds from the sale of CMKM stock.

Transactions in 2004

In 2004, JE began to aggressively implement his trading strategy in CMKM shares. In many instances, JE carried into NevWest billions of CMKM shares at a time. Through NevWest, he liquidated billions of shares per month. For example, in February 2004, JE executed 35 transactions and sold over 11 billion shares, which resulted in sales proceeds totaling almost \$592,000.

Moreover, between June 2004 and November 2004, JE sold, through NevWest, approximately 150 billion shares of CMKM in 257 transactions that generated proceeds totaling about \$44.4 million. During this same period, JE wired from his accounts at NevWest to various bank accounts under his control, a total of \$38 million in 57 separate wire transactions.

During 2004, JE sold approximately 207 billion shares of CMKM in 368 transactions that resulted in sales proceeds to JE totaling over \$49 million as follows:

JE's CMKM Transactions in 2004			
Month	Shares Sold	Proceeds	Number of Transactions
Jan	895,000,000	\$51,400	8
Feb	11,704,999,996	\$591,750	35
Mar	50,000,000	\$5,300	5
Apr	1,940,000,000	\$169,600	16
May	2,269,800,000	\$296,800	12
Jun	16,095,200,000	\$9,147,682	55
Jul	32,879,697,204	\$10,513,518	63
Aug	27,470,750,000	\$9,037,970	35
Sep	15,716,000,000	\$4,558,830	32
Oct	47,331,500,000	\$9,224,166	49
Nov	10,500,000,000	\$1,886,000	23
Dec	40,161,764,295	\$3,742,359	35
2004 Totals	207,014,177,495	\$49,225,375	368

In early 2004, RD, the firm's designated AML Compliance Officer, recommended to Santos that NevWest file a SAR regarding JE's transactions in CMKM. Despite RD's recommendations, Santos and Rumyantsev chose not to file a SAR. Moreover, in connection with JE, his accounts and sales of CMKM, Santos and Rumyantsev did not include RD in any AML-related discussion, analysis or decision.

In 2004, JE wired funds totaling over \$41.5 million from his accounts at NevWest to various bank accounts under his control.

Transactions in 2005

From January 1, 2005 through May 2005, JE sold over 48 billion shares of CMKM in 133 transactions that resulted in sales proceeds totaling \$3.7 million as follows:

JE's CMKM Transactions in 2005			
Month	Shares Sold	Proceeds	Number of Transactions
Jan	18,600,000,000	\$1,805,000	21
Feb	5,623,352,000	\$564,335	30
Mar	13,408,899,621	\$809,587	32
Apr	9,423,319,738	\$476,801	43
May	1,438,900,000	\$75,943	7
2005 Totals	48,494,471,359	\$3,731,666	133

Red Flags

NevWest's AML procedures stated that:

[w]hen a member of the firm detects any red flag he or she will investigate further under the direction of the AML Compliance Officer. This may include gathering additional information internally or from third party sources, contacting the government, freezing the account, and filing a SAR.

With respect to JE's CMKM transactions and wire transfer activity referenced in the Complaint, NevWest failed to implement and enforce adequate AML procedures in violation of NASD Conduct Rule 3011 and, as a result, failed to "observe high standards of commercial honor and just and equitable principles of trade" as required by NASD Conduct Rule 2110. AML rules and NevWest's own procedures required NevWest, under the direction of its AML Compliance Officer, to collect further information, perform additional due diligence, file a SAR and/or freeze JE's accounts with respect to JE's CMKM transactions, but NevWest failed to do so. NevWest, acting through Santos and Rumyantsev, was aware or should reasonably have been aware of "red flags," which should have individually or collectively triggered NevWest's AML obligations. These "red flags" included, but were not limited to, the following:

- a. JE suspiciously refused to reasonably explain how he acquired the CMKM shares. In October 2004, Santos and Rumyantsev asked JE whether he could identify the individuals from whom he acquired his CMKM shares. In November 2004, JE provided NevWest with a letter from his personal attorney that stated the attorney had "reviewed the trading practices of [JE] and such practices appear to be in complete compliance with federal and Nevada law." At no relevant time, did Santos or Rumyantsev ask JE to specifically identify the individuals and the details surrounding each transaction in which JE acquired the shares.
- b. JE suspiciously opened and maintained 32 accounts at the firm for no business or apparent lawful purpose.
- c. Over the relevant period, before liquidating his CMKM shares through NevWest, JE personally hand-delivered the CMKM certificates to the firm. The

CMKM certificates JE deposited for sale were not always registered in the name of a specific account holder with NevWest. Instead, beginning in or about August 2004 and continuing into 2005, JE began depositing certificates registered in the name of NevWest's clearing firm.

- d. JE's wire transfers from his NevWest accounts were suspicious in that the wire activity involved: large dollar amounts; frequent activity; and repetitive wire transfer patterns. In addition, JE generally instructed the firm to wire funds "as they became available" from the various NevWest accounts he established to, most often, only two Nevada bank accounts held by business entities which neither sold the CMKM certificates, nor maintained accounts at NevWest. The suspicious wire transfers included, without limitation, the following: of the 139 separate wire transactions from JE's accounts, 116 were for amounts greater than \$5,000, of which 57 were for amounts between \$5,000 and \$100,000; 30 were for amounts between \$100,000 and \$500,000; 17 were for amounts between \$500,000 and \$1 million; nine were for amounts between \$1 million and \$2 million; two wires exceeded \$2 million; and one exceeded \$4 million.
- e. JE suspiciously exhibited a lack of concern regarding the commissions and other transaction costs relating to the liquidation of CMKM shares. NevWest uncharacteristically charged JE 5% for each transaction. The 5% commission was well-above NevWest's customary rate of 3-4% it normally charged its customers for penny stock transactions.
- f. The substantial number of CMKM shares NevWest received and was asked to sell for JE's accounts, and the significant amount of sales proceeds resulting

therefrom, should have prompted NevWest to conduct a searching inquiry to ensure that CMKM was complying with relevant laws and regulations. For example, NevWest failed to conduct a reasonable inquiry to obtain information regarding the number of CMKM shares issued to JE, and specific details concerning how and when JE acquired his CMKM shares, in order to comply with minimum standards imposed on broker-dealers to prevent and detect violations of the federal securities laws and to ensure that the firm met its continuing responsibility to know both its customer and the securities being sold.

During the relevant period, NevWest, acting through Santos and Rummyantsev, was aware or should reasonably have been aware of public information including, without limitation, the following:

- a. CMKM's 10-QSB filing with the Securities and Exchange Commission, dated November 18, 2002, showed the address of the principal executive office as 7500 West Meade Boulevard, Suite 9627, Las Vegas, Nevada 89128; and telephone number (702) 683-3722. JE used this address and phone number on many of the new account documents at NevWest. This address is a UPS postal box located within about six miles of NevWest's offices.
- b. CMKM's 10-QSB filing with the SEC, dated November 18, 2002, was signed by IM. IM appears on several of JE's trust documents provided to NevWest as part of the new account documentation. During relevant times to the complaint, IM was the former President, director and shareholder of CMKM, and IM also acted as the Registered Agent on behalf of CMKM.

- c. CMKM's last 10-QSB filing with the SEC, dated November 18, 2002, showed that for the quarter ending September 2002, CMKM reported total assets of \$344.00, all in cash, and total liabilities of \$1,672.00.
- d. CMKM did not file any annual reports on Form 10-KSB with the SEC for its fiscal years ending December 31, 2002, 2003, and 2004.
- e. CMKM did not file any quarterly reports on Form 10-QSB since November 18, 2002, and therefore, did not file quarterly reports for the periods ended: March 31, June 30, and September 30, 2003; March 31, June 30, and September 30, 2004; and March 31, 2005.
- f. CMKM did not make any SEC filings during the period of July 22, 2003 to February 17, 2005. Consequently, investors did not have any financial information regarding CMKM during the period that NevWest sold over 235 billion shares on behalf of JE's accounts.
- g. By September 2004, NevWest should have been aware that it had sold for JE more than 10% of the outstanding shares of CMKM. Specifically, between March 2003 and May 2005, NevWest sold for JE's accounts, in the aggregate, as many as 36.7% of CMKM's total outstanding shares.
- h. CMKM engaged in a promotional campaign, in, amongst other places, Nevada, designed to raise interest in its stock. CMKM sponsored a NHRA funny car. The car is called the CMKXTREME vehicle. Promotional items such as T-shirts and hats with "Got CMKX?" written on the front were handed out at race events. All of this activity was used to encourage investors to purchase shares of CMKM through trading activity on the pink sheets.

- i. The Securities and Exchange Commission temporarily suspended over-the-counter trading of CMKM securities for the period of March 3, 2005 through March 16, 2005. Further, on May 10, 2005, the SEC commenced an administrative hearing against CMKM pursuant to Section 12(j) of the Securities Exchange Act of 1934 to revoke the registration of each class of securities of CMKM. Despite the aforementioned events, NevWest, from March 17, 2005 through May 11, 2005 continued to sell at least 22.5 billion shares of CMKM for JE's accounts in approximately 77 transactions. On or about July 12, 2005, an Administrative Law Judge issued an administrative decision in the SEC's action revoking the registration of each class of securities of CMKM. This decision became final on or about October 28, 2005.
- j. Prior to selling JE's CMKM shares, NevWest, acting through Santos and Rumyantsev, knew or should have known that JE had liquidated through NevWest a substantial amount of shares in other low-priced and penny stock certificates in at least two entities, Pinnacle Business Management, Inc. which later became Serac Holdings Inc. (Pinnacle), and Barrington Foods (Barrington), which later became U.S. Canadian Minerals, Inc. (UCAD). Between February 20, 2003 and February 19, 2004, JE deposited almost 6 billion shares of Pinnacle stock with NevWest. In May 2002, the SEC temporarily suspended trading in Pinnacle's securities and filed fraud charges against the company. On or about July 6, 2004, the SEC revoked Pinnacle's securities registration. Between February 2003 and December 2004, JE deposited 6.2 million shares of

securities issued by Barrington Foods at NevWest. In October 2004, the SEC temporarily suspended trading in this security.

Based on the foregoing, NevWest, Santos and Rumyantsev violated NASD Conduct Rules 3011 and 2110, and NevWest violated MSRB Rule G-41.

Second Cause of Action (Improper Release of Funds from Escrow Bank Account – Violation of Section 15(c)(2) of the Securities Exchange Act of 1934, and SEC Rule 15c2-4 thereunder, and NASD Conduct Rule 2110 by NevWest and Santos)

Ascendant Select Fund I, LLC Offering

Between February 15, 2004 and July 2004, NevWest, acting through Santos, participated in a distribution of securities for the sale of 5 million units in Ascendant Select Fund I, LLC (ASF). The ASF private placement memorandum (ASF Memorandum) represented that the offering was contingent on raising a minimum of \$500,000 and a maximum of \$50 million on a best efforts “part or none” basis.

ASF was a Nevada limited liability company with Ascendant Partners MM, Inc. (APM) acting as the managing member of ASF. APM’s officers and directors included Santos, VH and DR. The ASF Memorandum identified various affiliates of the APM that included: OneCap; NevWest doing business as OneCap Securities; and OneCap Real Estate Fund I. The ASF Memorandum also listed the officers and directors of OneCap as follows: VH was the president, chief executive officer, and director; and Santos was a director.

The ASF Memorandum represented that the offering was contingent on raising a minimum of \$500,000 from non-affiliates on or before February 15, 2005. The ASF Memorandum further represented that: a) all funds received would be held in an escrow account; and b) if the minimum of \$500,000 was not raised from sales of securities to non-affiliates by February 15, 2005, all funds would be refunded to investors together with interest.

From April 12, 2004, to May 12, 2004, NevWest, acting through Santos, sold units in ASF to two investors totaling \$500,000 as follows: \$250,000 was raised from one member of the public; and \$250,000 was raised from OneCap, an investor that was affiliated with both APM and NevWest. NevWest, pursuant to an escrow agreement, deposited all investors' funds into a segregated bank account in ASF's name. The escrow agreement did not accurately reflect that the minimum contingency amount of \$500,000 was to be raised from sales of securities to non-affiliates.

Despite not having met the minimum contingency amount through sales of securities in bona fide transactions to non-affiliated investors, on May 17, 2004, Santos released contingency proceeds totaling \$500,000 from the ASF escrow bank account as follows: \$495,000 was disbursed to ASF and \$5,000 was disbursed to NevWest. NevWest raised additional funds totaling \$250,000 from two non-affiliated investors by July 21, 2004. Therefore, NevWest, acting through Santos, failed to properly escrow purchasers' funds in a segregated account from May 17, 2004 until the minimum contingency amount was satisfied on July 21, 2004.

Based on the foregoing, NevWest violated Section 15(c)(2) of the Securities Exchange Act of 1934, and SEC Rule 15c2-4 thereunder, and NASD Conduct Rule 2110, and Santos violated NASD Conduct Rule 2110.

Third Cause of Action (Failure to Comply with Contingency Offering Terms - Violation of Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-9 thereunder, and NASD Conduct Rule 2110 by NevWest)

Ascendant Select Fund I, LLC Offering

As more fully described in Second Cause of Action above, NevWest caused the release of investors' funds to the control of ASF and NevWest before satisfaction of the contingency to sell

the minimum amount of securities through bona fide transactions, to non-affiliated investors, thereby rendering the representations in the ASF Memorandum false and misleading.

Based on the foregoing, NevWest violated Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-9 thereunder, and NASD Conduct Rule 2110.

Fourth Cause of Action (Improper Release of Funds From Escrow Bank Account – Violation Section 15(c)(2) of the Securities Exchange Act of 1934, and SEC Rule 15c2-4 thereunder, and NASD Conduct Rule 2110 by NevWest and Santos)

PracticeXpert, Inc. Offering

Between October 8, 2003 and January 26, 2004, NevWest, acting through Santos, participated in a distribution of securities for the sale of 6 million shares of common stock of PracticeXpert, Inc. (PXPT) at a price of \$0.50 per share. The PXPT private placement memorandum (PXPT Memorandum) represented that the offering was contingent on raising a minimum of \$50,000 and a maximum of \$3 million on a “best efforts basis.”

The PXPT Memorandum further represented that: a) all subscription funds received would be held in an escrow account in compliance with SEC Rule 15c2-4; and b) no funds would be released to PXPT until the offering raised a minimum of \$50,000. The PXPT Memorandum further provided that if the minimum offering amount had not been raised within 90 days of October 8, 2003, all subscription funds would be returned to investors without interest or deduction of fees. Under the terms of the PXPT Memorandum, PXPT had the option to extend the contingency offering period from 90 to 180 days.

The PXPT Memorandum represented that “[n]o person associated with the Company [PXPT] intends to participate in the distribution of the Offering.” Further, the PXPT Memorandum failed to disclose that PXPT’s officers and directors would be purchasing shares of

the offering, including the maximum amounts of such investments, and that the proceeds of their participation would be counted towards fulfilling the minimum contingency amount.

From November 18, 2003 through December 23, 2003, NevWest and PXPT collectively raised \$51,000 from five investors as follows: \$36,000 was raised from two public customers; and \$15,000 was raised from three investors that were each officers and directors of PXPT.

Pursuant to an escrow agreement signed by Santos on behalf of NevWest, investors' funds were deposited into a segregated bank account in PXPT's name on January 22 and January 23, 2004.

Despite not having satisfied the minimum contingency amount through sales of units in bona fide transactions, on January 26, 2004, NevWest caused the release of \$51,000 from the escrow bank account as follows: \$47,430 was disbursed to PXPT; and \$3,570 was disbursed to NevWest as commissions due for acting as the placement agent for the offering. Consequently, NevWest failed to properly escrow purchasers' funds in a segregated account until the minimum contingency amount was satisfied through the sale of bona fide transactions from investors that were not affiliated with PXPT. After the release of purchasers' funds from escrow on January 26, 2004, NevWest neither acted as the placement agent nor participated in the PXPT offering to raise any additional funds.

Based on the foregoing, NevWest violated Section 15(c)(2) of the Securities Exchange Act of 1934, and SEC Rule 15c2-4 thereunder, and NASD Conduct Rule 2110, and Santos violated NASD Conduct Rule 2110.

Fifth Cause of Action (Failure to Comply with Contingency Offering Terms –Violation of Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-9 thereunder, and NASD Conduct Rule 2110 by NevWest)

PracticeXpert, Inc. Offering

As more fully described in the Fourth Cause of Action above, NevWest caused the release of investors' funds to the control of PXPT and NevWest before satisfaction of the contingency to sell the minimum amount of securities through bona fide transactions, thereby rendering representations in the PXPT Memorandum false and misleading.

Based on the foregoing, NevWest violated Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-9 thereunder, and NASD Conduct Rule 2110.

Sixth Cause of Action (Failure to Timely Comply with Reporting Requirements – Violation of NASD Conduct Rules 3070 and 2110 by NevWest and Santos)

From February 28, 2003 to August 27, 2004, NevWest, acting through Santos, failed to timely report six written customer complaints to NASD as statistical and summary information by the 15th day of the month following the calendar quarter in which the customer complaints were received by the firm, in violation of NASD Conduct Rule 3070(c). NevWest reported the customer complaints to NASD approximately 134 to 500 days late.

From July 26, 2004 to September 7, 2004, NevWest, acting through Santos, failed to timely report the existence of two conditions that required disclosure within ten business days after the firm knew or should have known of the existence of the conditions, in violation of NASD Conduct Rule 3070(b). NevWest was required to report that the following conditions occurred under Conduct Rule 3070(a): 1) the State of New Hampshire denied a registered representative's registration; and 2) the SEC named a registered representative as a defendant in a

civil action. NevWest reported the existence of the conditions to NASD approximately 13 to 18 days late.

Based on the foregoing, NevWest and Santos violated NASD Conduct Rules 3070 and 2110.

Seventh Cause of Action (Supervision – Violation of NASD Conduct Rules 3010 and 2110 by NevWest and Santos)

NASD Rule 3010(a) requires that each firm establish and maintain a system to supervise the activities of each registered representative, registered principal, and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of NASD.

NASD Rule 3010(b) requires that the firm establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of each registered representative, registered principal, and associated person in a manner that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of NASD.

At all times relevant to the complaint, Santos, as the firm's Chief Compliance Officer, was responsible for ensuring that NevWest establish and maintain an effective supervisory system, including adequate written supervisory procedures, that was reasonably designed to achieve compliance with the federal securities laws and rules, and Rules of NASD. Moreover, at all relevant times herein, NevWest's procedures required that Santos supervise the firm's activities relating to contingency offerings.

Supervision Relating to Contingency Offerings

Between October 2003 and July 2004, NevWest, acting through Santos, engaged in the business of raising money in connection with two contingency offerings sold through private placement memoranda. As more fully described in the Second, Third, Fourth and Fifth Causes of Action above, NevWest released purchasers' funds from escrow bank accounts to the control of the issuers before the contingencies were satisfied through sales of securities in bona fide transactions, thereby rendering representations in the respective private placement memoranda false and misleading.

NevWest's supervisory system and written supervisory procedures relating to contingency offerings did not: i) require the firm to monitor and verify that the minimum contingency amount has been satisfied through sales of securities in bona fide transactions, prior to releasing the purchasers' funds from the escrow bank account and to the control of the issuer; ii) address what steps the firm would take if NevWest determined that issuers were not complying with SEC Rules 15c2-4 and 10b-9; iii) specify the process and procedures the firm should follow to notify the escrow agent when the contingency offering terms have been satisfied; and iv) designate a specific principal at the firm to determine whether or not the contingencies have been satisfied and to provide notification to the escrow agent to release the purchasers' funds from the escrow bank account to the control of the issuer.

Supervision Relating to Reporting Requirements

Between February 2003 and September 2004, NevWest was required to file certain reports relating to customer complaints and disclosure events with NASD pursuant to NASD Conduct Rule 3070. As more fully described in the Sixth Cause of Action above, NevWest

failed to timely file quarterly reports of statistical and summary information and reports regarding the existence of disclosure events.

NevWest failed to establish an effective supervisory system and adequate written supervisory procedures reasonably designed to achieve compliance with NASD Conduct Rule 3070, in that they did not designate a specific person with the responsibility to: i) review customer complaints and disclosure information on a monthly and a quarterly basis, and ii) timely file the reports with NASD as required by NASD Conduct Rule 3070.

Based on the foregoing, NevWest and Santos violated NASD Conduct Rules 3010 and 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by NASD, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that the sanctions against Respondents be imposed as follows:

As to NevWest:

1. A censure.
2. A fine in the amount of \$100,000, for which the firm shall be jointly and severally liable with Santos and Rummyantsev (the latter to the extent of \$75,000).
3. An undertaking to retain, within thirty (30) days of the effective date of the Order, an Independent Consultant, who is not unacceptable to the

Department of Enforcement, to conduct a comprehensive review of the firm's policies, controls, systems and procedures (written and otherwise), and training relating to the firm's ability to comply with (i) the Bank Secrecy Act (BSA), NASD Conduct Rule 3011, and other anti-money laundering statutes and regulations (AML); and (ii) all rules and regulations relating to its participation in private offerings (collectively, Areas of Concern). In connection with the AML assessment, the review should include, *without limitation*, whether NevWest's policies, procedures and controls are adequate to (a) address its receipt and handling of customer securities and (b) identify circumstances when filing of a SAR may be inadequate to address suspicious activity, and instead, justify alternate action, including the cessation of trading for a stock and/or customer. The review of the firm's practices for participating in private offerings should include, *without limitation*, whether NevWest's policies, procedures and controls are adequate to ensure compliance with (a) Section 15(c)(2) of the Securities and Exchange Act of 1934, and SEC Rule 15c2-4 thereunder; and (b) Section 10(b) of the Securities and Exchange Act of 1934 and SEC Rule 10b-9 thereunder.

In connection therewith:

- a. NevWest shall bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant.

- b. NevWest shall cooperate with the Independent Consultant in all respects, including by providing staff support. NevWest shall not place any restrictions on the Independent Consultant's communications with the NASD staff and, upon request, shall make available to NASD staff any and all communications between the Independent Consultant and the firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once the Independent Contractor is retained, NevWest shall not terminate the relationship with the Independent Consultant without the NASD staff's written approval. NevWest shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to the NASD.
- c. At the conclusion of the initial review, which shall be no more than ninety (90) days after the effective date of the Order, NevWest shall require the Independent Consultant to submit to the firm and NASD staff an Initial Written Report. The report shall address, at a minimum, (i) the adequacy of the firm's policies, controls, systems and procedures (written or otherwise), and training relating to the Areas of Concern; (ii) a description of the review performed and the conclusions reached by the Independent Consultant; and (iii) the

Independent Consultant's recommendations for modifications and additions to the firm's policies, controls, systems and procedures, and training.

- d. Within thirty (30) days following the delivery of the Initial Report, NevWest shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternate procedure to the Independent Consultant designed to achieve the same objective. The firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and the NASD staff. Within thirty days of receipt of any proposed alternate procedure, the Independent Consultant shall: (i) evaluate each alternate procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the firm with a written decision reflecting his or her determination. The firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternate procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
- e. Within sixty (60) days after the issuance of the later of the Independent Consultant's Initial Written Report or written determination regarding alternate procedures (if any), NevWest shall

provide the NASD staff with a written implementation report, certified by an officer of NevWest, attesting to, containing documentation of, and setting forth the details of the firm's implementation of the Independent Consultant's recommendations.

- f. For a period of not less than one and half (1-1/2) years following NevWest's submission of its affidavit described in paragraph 3.e., immediately above, NevWest shall require the Independent Consultant to perform five follow-up quarterly reviews (Quarterly Review) of the firm's AML and private offering programs to determine whether NevWest has adopted and implemented the Independent Consultant's recommendations relating to such area of concern. Further, the Independent Consultant shall evaluate whether the firm's policies, controls, systems and procedures, and practices in the respective Areas of Concern are adequate and whether further recommendations are warranted.
- g. NevWest shall require that, within thirty (30) days following the conclusion of each Quarterly Review, the Independent Consultant concurrently submit to NevWest and NASD a written report addressing, at a minimum, (i) the adequacy of the firm's conduct in the Areas of Concern, as well as its efforts to implement the Independent Consultant's recommendations made to date, (ii) the firm's policies, controls, systems and procedures, and training

relating to the Areas of Concern; (iii) a description of the review performed and the conclusions reached by the Independent Consultant, and (iv) any additional recommendations for modifications and additions to the firm's conduct, policies, controls, systems and procedures, and training concerning the Areas of Concern.

- h. Within ten (10) business days following receipt of each quarterly report, NevWest shall respond in writing to the Independent Consultant's comments by, among other things, addressing the Independent Consultant's concerns and recommendations, if any, and describing how and when it intends to implement any further recommendations made by the Independent Consultant.
- i. NevWest shall further require the Independent Consultant to conduct a final review and submit a written Final Report to the firm and to NASD staff no later than two years from the effective date of the Order. In the Final Report, the Independent Consultant shall address the firm's efforts to implement the Independent Consultant's recommendations concerning the firm's policies, controls, systems and procedures, training, and conduct relating to the Areas of Concern, and make any further recommendation he or she deems appropriate. Within thirty (30) days of receipt of the Independent Consultant's Final Report, NevWest shall adopt and implement all

recommendations deemed appropriate by the Independent Consultant, and NevWest shall provide the NASD staff with a written implementation report, certified by an officer of NevWest, attesting to, containing documentation of, and setting forth the details of the firm's implementation of the Independent Consultant's recommendations.

4. NevWest may not participate in any private offering for thirty (30) days following the effective date of the Order.
5. NevWest shall not accept or hold customer securities until, consistent with Paragraph 3.e., it certifies to NASD that it has adopted and implemented the recommendations made by the Independent Consultant in his or her Initial Written Report.
6. Upon written request by NevWest, and a showing of good cause, NASD staff may extend any of the procedural dates set forth above.

As to Rummyantsev:

1. A censure.
2. A fine in the amount of \$75,000, for which he shall be jointly and severally liable with NevWest and Santos.
3. A three month suspension in all principal capacities.
4. A requirement that he complete 16 hours of AML training, by a provider not unacceptable to NASD, each year for a two year period (total of 32

hours). Rumyantsev must complete at least 16 hours of AML training within 6 months after the effective date of the settlement. Within thirty (30) days following completion of each training session Rumyantsev attends, he must provide NASD with written proof of his completion of such session.

As to Santos:

1. A censure.
2. A fine in the amount of \$100,000, for which he shall be jointly and severally liable with NevWest and Rumyantsev (the latter to the extent of \$75,000).
3. A three month suspension in all principal capacities.¹
4. A requirement that he complete 16 hours of AML training, by a provider not unacceptable to NASD, each year for a two-year period (total of 32 hours). Santos must complete at least 16 hours of AML training within 6 months after the effective date of the settlement. Within thirty (30) days following completion of each training session Santos attends, he must provide NASD with written proof of his completion of such session.

¹ Santos' and Rumyantsev's suspensions in all principal capacities shall run consecutively, commencing with the three month suspension imposed on Santos. Rumyantsev's suspension shall commence two business days following the conclusion of Santos' suspension period.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this Order by the NAC.

SO ORDERED.

NASD

Signed on behalf of the
Director of ODA, by delegated authority



Jill L. Jablonow
Regional Counsel
NASD Department of Enforcement
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Los Angeles, CA 90071
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**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

NEVWEST SECURITIES CORPORATION,
(CRD No. 46464),

SERGEY RUMYANTSEV,
(CRD No. 4009791),

and

ANTONY M. SANTOS,
(CRD No. 3239243),

Respondent.

Disciplinary Proceeding
No. E0220040112-01

Hearing Officer - AP

CERTIFICATE OF SERVICE

Date: March 21, 2007

I hereby certify that on this 21st day of March 2007, I caused a copy of the foregoing Notice of Acceptance of Offer of Settlement and Order Accepting Offer of Settlement to be sent as follows:

Via Certified and First Class Mail

NevWest Securities Corporation
Attn: Sergey Rumyantsev
President and Chief Executive Officer
5440 West Sahara # 202
Las Vegas, NV 89146

Via Certified and First Class Mail

Sergey Rumyantsev
1951 North Jones Blvd, Apt. G202
Las Vegas, NV 89108

Via Certified and First Class Mail

Antony M. Santos
3013 Marsh Court
Las Vegas, NV 89128

Via Facsimile No. (202) 756-8087
and First Class Mail

Eugene Goldman, Esq.
McDermott Will & Emery LLP
600 Thirteenth Street, NW
Washington, DC 20005



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