

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-14-0041
ORDER NO. S-14-0041-14-OR01

RECEIVED
14 DEC 16 PM 12:42
ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:
LEONID YUROVSKY

RESPONDENT

CONSENT ORDER

This Consent Order (“Order”) is entered pursuant to the Arkansas Securities Act (“Act”), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner promulgated pursuant to the Act (“Rules”), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement between the Staff of the Arkansas Securities Department (“Staff”) and the Respondent, Leonid Yurovsky (“Yurovsky”), in full and final settlement of all claims that could be brought against Yurovsky by the Staff based upon the information possessed by the Staff at the time of the entry of this Order.

Yurovsky admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), and solely for the purpose of the entry of this Order, waives his right to a formal hearing and appeal, consents to the entry of this Order without admitting or denying the Findings of Fact and Conclusions of Law made herein, and agrees to abide by its terms in settlement of any possible violations committed in relation to the matters set forth in this Order.

FINDINGS OF FACT

1. Yurovsky, CRD No. 4554905, is a New York resident who was registered with the Arkansas Securities Department (“Department”) from November 3, 2010, to June 18, 2013.

Yurovsky has not been registered with the Department in any capacity since his registration lapsed on June 18, 2013.

2. On March 4, 2011, Yurovsky opened a joint account on behalf of Arkansas Resident One (“AR1”) and Arkansas Resident Two (“AR2”). The Staff contends that Yurovsky engaged in excessive trading and unsuitable securities sales while acting as the agent for AR1 and AR2. Although documentary evidence indicated that AR1 and AR2 had filled out paperwork marking the character of the account as “speculative” and their risk tolerance as “aggressive,” AR1 contended that he informed Yurovsky prior to opening the account that he was only interested in conservative investments and could not afford to lose value in the account. The account statements reviewed by the Staff reflected that from March 2011 through October 2012 the account lost value while being charged a total of \$106,817.25 in commissions, additional commissions, and settlement fees.

3. The Staff further contends that Yurovsky engaged in unsuitable securities sales when he twice sold non-traditional exchange traded funds (ETFs) to AR1 and AR2 and held them in the account for longer than one day. The ETFs traded by Yurovsky were issued by ProShares. The ProShares prospectuses state that the ETFs “reset” daily, meaning they are designed to achieve their desired objective on a daily basis and the effects of compounding present unique risks over longer holding periods. On November 11, 2011, Yurovsky purchased ProShares Trust Ultrashort and held it in the account of AR1 and AR2 until it was liquidated at a loss on November 20, 2011. On August 21, 2012, Yurovsky again purchased ProShares Trust Ultrashort and held it in the account of AR1 and AR2 until it was liquidated at a loss on September 19, 2012.

LEGAL AUTHORITY

4. Rule 308.01(d) of the Rules requires that a registered agent, before recommending the purchase, sale, or exchange of any security, have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings, financial situation, and needs.

5. Rule 308.01(e) of the Rules prohibits a registered agent from inducing trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account exclusively for the purpose of accumulating profits.

CONCLUSIONS OF LAW

6. Yurovsky violated Rule 308.01(d) of the Rules when he sold ETFs to AR1 and AR2 and held the funds in their account for longer than recommended, as detailed in paragraph 3 above.

7. Yurovsky violated Rule 308.01(e) of the Rules when executed trades on behalf of AR1 and AR2 that were more frequent than recommended in relation to the character of the account, as detailed in paragraph 2 above.

UNDERTAKING

It is expressly understood and agreed that this Order is a compromise of disputed allegations and potential claims for which Yurovsky has submitted documents in support of his defense, and is entered for the sole purpose of resolving the issues and avoiding costly litigation. In settlement of this matter, Yurovsky agrees to pay a settlement to AR1 and AR2 in the total amount of \$55,000.00, with this amount approximating the commissions personally received by Yurovsky on trades transacted in their joint account.

OPINION

This Order is in the public interest. The facts as set forth in paragraphs 1 through 3 support the violations of the Act and Rules as set forth in paragraphs 4 through 7.

ORDER

IT IS THEREFORE ORDERED that:

(1) Yurovsky shall pay a settlement to AR1 and AR2 in the total settlement amount of \$55,000.00. The settlement amount shall be paid in monthly payments of at least five thousand dollars beginning on January 16, 2015, with each subsequent monthly payment being due on the sixteenth day of each month thereafter, until the settlement amount is paid in full on or before August 31, 2015. If the sixteenth day of the month falls on a weekend or holiday, the monthly payment shall be due on the next business day. Each monthly payment shall be made by wire to a bank account held in the name of Shults & Brown, LLP, 200 West Capitol Avenue, Suite 1600, Little Rock, Arkansas 72201, who are serving as attorneys for AR1 and AR2.

(2) Any registration applications submitted by Yurovsky to the Department shall be conditioned upon his employing firm agreeing to conduct heightened supervision of his activities for a period of one year. A plan for heightened supervision shall be submitted for the Commissioner's approval along with any new registration application for Yurovsky. Yurovsky also shall be required to retake and pass all examinations required by Rule 302.01(c) of the Rules before his application for registration as a broker-dealer agent will be accepted.

(3) The parties admit and acknowledge that the Commissioner has no authority or jurisdiction over any other state or federal agency or regulatory authority. Nonetheless, this Order is not intended to subject Yurovsky to any disqualification under the laws of the United States, any state, the District of Columbia, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization.

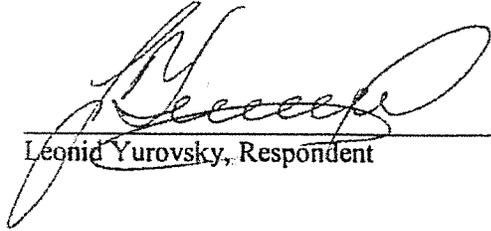
(4) Any failure by Yurovsky to adhere to the settlement payment provisions of this Order shall result in additional disciplinary action by the Department. Yurovsky may not, by way of defense to any such action, contest the findings in this Order or assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

WITNESS MY HAND AND SEAL this the 16th day of December, 2014.

A handwritten signature in cursive script, appearing to read "A. Heath Abshure", written over a horizontal line.

A. Heath Abshure
Arkansas Securities Commissioner

Approved as to Content and Form:



Leonid Yurovsky, Respondent

12-8-14

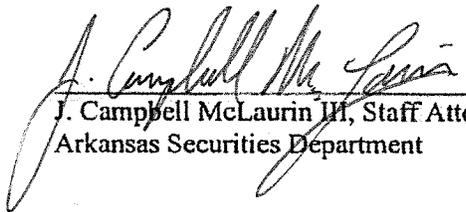
Date



Adam D. Cole, Attorney for Respondent

12-8-14

Date



J. Campbell McLaurin III, Staff Attorney
Arkansas Securities Department

12-16-14

Date