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BEFORE THE ARKANSAS SECURITIES COMMISSIONER 11 DEC 29 PM 1:56

CASE NO. S-09-017

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

CHRISTOPHER COLLIER

RESPONDENT

COMPLAINT

The Staff of the Arkansas Securities Department (“Staff”), by and through its attorney, David H. Smith, for its Complaint to take action regarding the registrations of Christopher Jerome Collier (“Collier”), CRD # 1159027, states:

I. ADMINISTRATIVE AUTHORITY

1. This matter concerns the revocation or other appropriate action regarding the registrations of Collier as a broker dealer agent and investment adviser representative for violations of the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509, (“Act”) and the Rules of the Arkansas Securities Commissioner (“Rules”), and is, therefore, properly before the Arkansas Securities Commissioner (“Commissioner”) pursuant to Ark. Code Ann § 23-42-308.

II. RESPONDENT

2. At all times relevant to this matter, Collier was a resident of Pulaski County, Arkansas. His last known address is in Little Rock, Arkansas.

3. From November 1, 2006, until March 12, 2009, Collier was registered in Arkansas as a broker-dealer agent and investment adviser representative with the Stanford Group Company (“Stanford”), CRD # 39285. Collier was registered in Arkansas as a broker-dealer agent with Sterne, Agee & Leach, Inc., CRD # 791, and as an investment adviser representative

with Sterne Agee Investment Advisors, Inc., IARD # 130888, from March 2009 until August 2011.

III. SUMMARY OF FACTS

4. This matter involves violations of the Arkansas securities laws by Collier in connection with the offer and sale of securities issued by Stanford International Bank LTD (“Stanford Bank”) while he was registered as an agent and representative with Stanford. Stanford Bank is located in Antigua, a Caribbean island. The securities sold by Collier were certificates of deposit issued by Stanford Bank called “U.S. Accredited Investor CD” (“CD Deposits”).

5. Stanford and Stanford Bank provided agents registered with Stanford a “Disclosure Statement” to use when making offers and sales of the CD Deposits to their clients. The Disclosure Statement states on its first page that, “[t]he CD Deposits are not being offered to the general public, but are available only to accredited investors.” The Disclosure Statement further states that “Accredited Investor” means those that qualify pursuant to the definition found in Rule 501(a) of Regulation D under the Securities Act.

6. Rule 501(a) of Regulation D of the Securities Act of 1933, 17 C.F.R. § 230.501, defines “Accredited Investor” as “[a]ny natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his purchase exceeds \$1,000,000”; and “[a]ny natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.”

7. In addition to limiting sales of the CD Deposits to accredited investors, the Disclosure Statement states that participation in the CD Deposit program “involves substantial risk to potential depositors, the CD Deposits are not insured by the Federal Deposit Insurance

Corporation (“FDIC”) or any other agency of the United States Government or any State jurisdiction, or by any insurance program of the government of Antigua and Barbuda.”

8. AR1 is an Arkansas resident and was a long term client of Collier. AR1 is older than sixty-five years of age, retired, and widowed. AR1 is not an accredited investor and was not an accredited investor in December 2007 when Collier sold CD Deposits to her.

9. On or about December 27, 2007, Collier offered and sold a CD Deposit, #177809, in the amount of \$250,000 to AR1. On or about December 28, 2007, Collier offered and sold a second CD Deposit, #178763, in the amount of \$50,000 to AR1. Both CD Deposits were to mature after a term of three years. In order to fund the \$250,000 needed for the initial CD Deposit purchase by his client, Collier liquidated investments AR1 held in fixed income municipal bonds. To pay for the second CD Deposit purchased by AR1, Collier liquidated an annuity held by AR1.

10. At the time of the sales, AR1 did not have a \$1 million net worth or an annual income of \$200,000. Most of AR1’s net worth assets were invested in the account with Collier at Stanford. AR1’s Stanford brokerage account statement for November 2007, the month prior to Collier selling her CD Deposits, reflects a net asset value of \$673,323. AR1’s annual income in 2007 was approximately \$60,000.

11. In February 2009, the Securities and Exchange Commission (“SEC”) filed suit in U.S. District Court, Northern District of Texas, alleging that Stanford, Stanford Bank, R. Allen Stanford, and others misappropriated billions of dollars of investor funds raised through the sale of the CD Deposits. A receiver was appointed by the court to manage Stanford, but to date, investors that held investments in the CD Deposits as of February 27, 2009, have not received any of their money back.

12. The sales transactions of the CD Deposit investments by Collier to AR1 were recommended and effected without reasonable grounds for Collier to believe that the recommendations were suitable for his client. AR1 did not meet the required accredited investor criteria to purchase the CD Deposit securities.

13. In addition, the sales of the CD Deposits by Collier to AR1 resulted in an over-concentration of the investment portfolio of AR1 with the Stanford Bank securities. Collier was very familiar with the financial situation and needs of AR1. Despite the restrictions on sales of the CD Deposits, Collier sold AR1 the CD Deposits totaling \$300,000, an amount that was almost one-half of her total investment portfolio.

IV. APPLICABLE LAW

14. Section 23-42-308(a)(2)(B) of the Act provides in part that the Commissioner may by order suspend, make conditional or probationary, or revoke any registration if it is found that the registrant has willfully violated or failed to comply with any provision of the Act or any Rule.

15. Section 23-42-308(e)(3) of the Act provides in part that the Commissioner may institute a revocation or suspension proceeding under Section 23-42-308(a)(2)(B) within one year after a withdrawal became effective.

16. Section 23-42-308(a)(2)(G) of the Act provides in part that the Commissioner may by order suspend, make conditional or probationary, or revoke any registration if it is found that the registrant has engaged in dishonest or unethical practices in the securities business.

17. Rule 308.01 sets out specific dishonest and unethical conduct that shall be considered as grounds for denial, suspension, or revocation of an agent registration. Rule 308.01(D) 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.

18. Rule 308.02 sets out specific fraudulent and deceptive practices that shall be considered grounds for denial, suspension, or revocation of an investment adviser representative registration. Rule 308.02(A) requires that a registered investment adviser representative, before recommending the purchase, sale, or exchange of any security, have reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation, and needs.

19. Section 23-42-308(g) of the Act provides in part that in addition to the authority to deny, suspend, or revoke a registration, upon notice and opportunity for hearing, the Commissioner may for each violation of the Act fine an agent or representative up to five thousand dollars.

V. PRAYER FOR RELIEF

The Staff respectfully requests that the registrations of Collier as a broker-dealer agent and investment adviser representative be revoked or other appropriate action be taken. The Staff further requests that the Commissioner impose an appropriate fine for the violations committed by Collier.

VI. NOTICE AND HEARING

The Staff, by filing this Complaint, serves notice of the institution of formal administrative proceedings against Christopher Jerome Collier. The Staff requests that a hearing

in these proceedings be scheduled at the offices of the Arkansas Securities Department, Heritage West Building, Suite 300, 201 East Markham Street, Little Rock, Arkansas.

By: David H. Smith
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Attorney for the Staff

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