



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

ELANGO VAN SURENDRAN,
CRD# 2658729

Respondent.

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Case No. AP-04-87

Serve at:

1 Laurel Drive Apartment A5
Mineola, New York 11501,

**FINDING OF FACT, CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST, BAR AGENT FROM REGISTRATION OR ASSOCIATION
WITH ANY BROKER-DEALER, AND PAY CIVIL PENALTIES AND COSTS**

The Commissioner, having reviewed and considered the pleadings and record on file in the above-styled proceeding, having heard the evidence presented by the Enforcement Section on the question of civil penalties, now finds and concludes that the Enforcement Section has prevailed on the claims in its petition and further makes findings of fact and conclusions of law and enters a final order as follows:

PROCEDURAL BACKGROUND

1. Mary S. Hosmer, Assistant Commissioner for Enforcement, (“Enforcement Section”) submitted on November 10, 2004, a petition for administrative relief, requesting a cease and desist order, civil penalties and other relief.
2. On November 22, 2004, after reviewing the petition, the Commissioner issued a summary order.
3. Respondent received notice of his opportunity for hearing, being served with a copy of the summary order by certified mail on December 7, 2004. Respondent has not filed a request for hearing.

FINDINGS OF FACT

1. Respondent has a residence address of 1 Laurel Drive, Apartment A5, Mineola, New York 11501.

2. On November 10, 1999, Continental submitted a Uniform Application for Securities Industry Registration or Transfer (“Form U-4”) to the Central Registration Depository (“CRD”) for agent number 2658729 seeking to register Respondent as an agent in Missouri.
3. Respondent was registered in the State of Missouri with Continental Broker-Dealer Corp. (“Continental”) from November 12, 1999 to December 18, 2003.
4. On December 18, 2003, Continental submitted a Uniform Termination Notice for Securities Industry Registration (“Form U-5”) to the CRD for agent number 2658729 and reported Respondent’s voluntary termination from the firm.
5. Question 14 of the Form U-4 requests information about customer complaints. This question states:

(1) Have you ever been named as a respondent/defendant in an *investment-related* consumer-initiated arbitration or civil litigation which alleged that you were *involved* in one or more *sales practice violations* and which:

- (a) is still pending, or;
- (b) resulted in an arbitration award or civil judgment against you, regardless of amount, or;
- (c) was settled for an amount of \$10,000 or more?

(2) Have you ever been the subject of an *investment-related*, consumer-initiated complaint, not otherwise reported under question 14I(1) above, which alleged that you were *involved* in one or more *sales practice violations*, and which complaint was settled for an amount of \$10,000 or more?

(3) Within the past twenty four (24) months, have you been the subject of an *investment-related*, consumer-initiated written complaint, not otherwise reported under question 14I(1) or 14I(2) above, which:

- (a) alleged that you were *involved* in one or more *sales practice violations* and contained a claim for compensatory damages of \$5,000 or more (if no damage amount is alleged, the complaint must be reported unless the *firm* has made a good faith determination that the damages from the alleged conduct would be less than \$5,000), or;
- (b) alleged that you were *involved* in forgery, theft, misappropriation or conversion of funds or securities? (Emphasis in original)

6. This question should be answered “YES” or “NO”. Any question with a “YES” response requires the filing of a Disclosure Reporting Page for each reportable event.
7. Pursuant to the instructions to Form U-4, an amendment to the application should be made as changes occur.

8. The Form U-4 page entitled, *Individual/ Applicant's Acknowledgment and Consent* states, in part, the following:

I agree to update this form by causing an amendment to be filed on a timely basis whenever changes occur to answers previously reported. Further, I represent that to the extent that any information previously submitted is not amended, the information provided in this form is currently accurate and complete.

9. A review of Respondent's record with the CRD System revealed that Respondent failed to timely report numerous customer complaints and the settlement of these complaints on his Form U-4.

Count 1

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 1)

10. On September 28, 2000, Respondent, while employed with Continental, received a complaint from Client 1 that alleged that Respondent made unauthorized transactions in the sale of securities. Client 1 alleged compensatory damages of \$140,000.
11. On September 5, 2001, Respondent and Continental settled the complaint with Client 1 and agreed to pay Client 1 \$60,000.
12. On August 4, 2003, more than 2 years after receiving this complaint and more than 22 months after settling the complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint by Client 1 and the settlement of this complaint.
13. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 1 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred (i.e. the receipt of the complaint or the settlement of the complaint).
14. By not reporting the complaint from Client 1 for more than two years and the settlement of this complaint for more than 22 months, Respondent failed to timely amend his Form U-4.

Count 2

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 2)

15. On March 8, 2001, Respondent, while employed with Continental, received a complaint from Client 2 that alleged that Respondent made unsuitable recommendations in the sale of securities. Client 2 alleged compensatory damages of \$130,000.

16. On November 26, 2002 Respondent and Continental settled the complaint with Client 2 and agreed to pay Client 2 \$45,000.
17. On February 6, 2004, more than two years after receiving this complaint and more than 14 months after settling the complaint, Continental filed an amendment to Respondent's Form U-5 and disclosed the complaint from Client 2 and the settlement of this complaint.
18. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 2 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred.
19. By not reporting the complaint from Client 2 for more than two years and the settlement of this complaint for more than 14 months, Respondent failed to timely amend his Form U-4.

Count 3

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 3)

20. On April 15, 2001, Respondent, while employed with Continental, received a complaint from Client 3 that alleged Respondent made excessive, unauthorized and unsuitable transactions in the sale of securities. Client 3 alleged compensatory damages of \$150,000.
21. On December 3, 2001, Respondent and Continental settled the complaint with Client 3 and agreed to pay Client 3 \$50,000.
22. On August 4, 2003, more than two years after receiving this complaint and more than 20 months after settling the complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 3 and the settlement of this complaint.
23. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 3 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred.
24. By not reporting the complaint from Client 3 for more than two years, and the settlement of this complaint for more than 20 months, Respondent failed to timely amend his Form U-4.

Count 4

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 4)

25. On June 25, 2001, Respondent, while employed with Continental, received a complaint from Client 4 that alleged Respondent made excessive, unsuitable and unauthorized transactions in the sale of securities. Client 4 alleged compensatory damages of \$1,100,000.

26. On December 2, 2002, Respondent and Continental settled the complaint with Client 4 and agreed to pay Client 4 \$325,000.
27. On August 4, 2003, more than two years after receiving this complaint and more than 8 months after settling the complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 4 and the settlement of this complaint.
28. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 4 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred. By not reporting the complaint from Client 4 for more than two years and the settlement of the complaint for more than 8 months, Respondent failed to timely amend his Form U-4.

Count 5

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 5)

29. On January 23, 2002, Respondent, while employed with Continental, received a complaint from Client 5 that alleged Respondent made unsuitable and unauthorized transactions in the sale of securities. Client 5 alleged compensatory damages of \$77,000.
30. On December 11, 2002, Respondent and Continental settled the complaint with Client 5 and agreed to pay Client 5 \$27,500.
31. On August 4, 2003, more than 18 months after receiving this complaint and more than 7 months after settling the complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 5 and the settlement of this complaint.
32. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 5 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred.
33. By not reporting the complaint from Client 5 for more than 18 months and the settlement of the complaint for more than 7 months, Respondent failed to timely amend his Form U-4.

Count 6

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 6)

34. On May 28, 2002, Respondent, while employed with Continental, received a complaint from Client 6 that alleged Respondent made excessive transactions and charged excessive commissions in the sale of securities. Client 6 alleged compensatory damages of \$25,000.

35. On August 4, 2003, more than one year after receiving this complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 6.
36. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 6. Respondent's Form U-4 should have been amended when any change occurred.
37. By not reporting the complaint from Client 6 for more than one year, Respondent failed to timely amend his Form U-4.

Count 7

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 7)

38. On January 23, 2003, Respondent, while employed with Continental, received a complaint from Client 7 that alleged Respondent made excessive and unsuitable transactions in the sale of securities. Client 7 alleged compensatory damages of \$350,000.
39. On July 1, 2003, Respondent and Continental settled the complaint with Client 7 and agreed to pay Client 7 \$67,500.
40. On July 7, 2003, more than five months after receiving this complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 7 and the settlement of this complaint.
41. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 7 and the settlement of this complaint. Respondent's Form U-4 should have been amended when any change occurred.
42. By not reporting the complaint from Client 7 for more than five months, Respondent failed to timely amend his Form U-4.

Count 8

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 8)

43. On April 2, 2003, Respondent, while employed with Continental, received a complaint from Client 8 that alleged Respondent made excessive and unsuitable transactions in the sale of securities. Client 8 alleged compensatory damages of \$180,000.
44. On March 5, 2004, Respondent and Continental settled the complaint with Client 8 and agreed to pay Client 8 \$75,000.
45. On August 4, 2003, more than four months after receiving this complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 8.

46. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 8. Respondent's Form U-4 should have been amended when any change occurred.
47. By not reporting the complaint from Client 8 for more than four months, Respondent failed to timely amend his Form U-4.

Count 9

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 9)

48. On June 26, 2003, Respondent, while employed with Continental, received a complaint from Client 9 that alleged Respondent made unauthorized transactions in the sale of securities. Client 9 alleged compensatory damages of \$6,575.
49. On January 26, 2004, seven months after receiving this complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 9.
50. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 9. Respondent's Form U-4 should have been amended when any change occurred.
51. By not reporting the complaint from Client 9 for more than seven months, Respondent failed to timely amend his Form U-4.

Count 10

(Failing to Timely Amend Form U-4
Disclosing Complaint from Client 10)

52. On August 27, 2003, Respondent, while employed with Continental, received a complaint from Client 10 that alleged Respondent made misrepresentations in the sale of securities. Client 10 alleged compensatory damages of \$16,000.
53. On February 4, 2004, more than five months after receiving this complaint, Respondent filed an amendment to his Form U-4 and disclosed the complaint from Client 10.
54. Respondent had a duty to timely amend his Form U-4 disclosing the complaint of Client 10. Respondent's Form U-4 should have been amended when any change occurred.
55. By not reporting the complaint from Client 10 for more than five months, Respondent failed to timely amend his Form U-4.
56. This summary order is in the public interest.

CONCLUSIONS OF LAW

1. §409.5-505, RSMo Cumulative Supp. 2003, provides that:

It is unlawful for a person to make or cause to be made, in a record that is ... filed under this act, a statement that, at the time and in the light of the circumstances under which it was made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

2. §409.4-412, RSMo Cumulative Supp. 2003, provides that:

...(b) If the commissioner finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant . . .

(c) If the commissioner finds that the order is in the public interest and subsection (d) (1)... authorizes the action an order under this act may censure, impose a bar or impose a civil penalty in an amount not to exceed a maximum of five thousand dollars for a single violation or fifty thousand dollars for several violations...

(d) A person may be disciplined under subsections (a) to (c) if the person:

(2) Willfully violated or failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten years...

(f) The commissioner may suspend or deny an application summarily; restrict, condition, limit, or suspend a registration; or censure, bar, or impose a civil penalty on a registrant before final determination of an administrative proceeding. Upon issuance of the order, the commissioner shall promptly notify each person subject to the order that the order has been issued, the reasons for the action and that within fifteen days after the receipt of a request in a record from the person the matter will be scheduled for a hearing. If a hearing is not requested and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final by operation of law. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend the order until final determination.

3. Pursuant to 15 CSR 30-51.160(3):

Continuing Duty of Applicants and Registrants to Disclose Material Information.

(A) Amendments to Applications for Material Change.

During the pendency of any application, or effectiveness of any

registration, every broker-dealer, agent, investment adviser, or investment adviser representative shall immediately report to the commissioner in writing any material change in any information, answers, responses, exhibits, or schedules submitted or circumstances disclosed in its last prior application. A correcting amendment shall be filed with the division at the time of occurrence or discovery of these changes, and not later than thirty (30) days following the specified event or occurrence. If the application was submitted through the CRD System or IARD System, any amendment shall be submitted in accordance with the guidelines of the CRD or IARD System.

4. §409.4-412 (k), RSMo Cumulative Supp. 2003, provides that:

If a proceeding is instituted to revoke or suspend a registration of any agent...pursuant to subsection (b), the commissioner shall refer the matter to the administrative hearing commission. The administrative hearing commission shall conduct hearings and make findings of fact and conclusions of law in such cases. The commissioner shall have the burden of proving a ground for suspension or revocation pursuant to this act. The administrative hearing commission shall submit its findings of fact and conclusions of law to the commissioner for final disposition.

5. §409.6-604(a), RSMo Cumulative Supp. 2003, provides:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act, the commissioner may:

- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary and appropriate to comply with this act...

6. §409.6-604(d), RSMo Cumulative Supp. 2003, provides:

In a final order...the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.

7. §409.6-604(e), RSMo Cumulative Supp. 2003, provides:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted

or order issued under this act. These funds may be paid into the investor education and protection fund.

8. Because Respondent failed to timely amend the Form U-4 disclosing complaints in counts 1 through 10 above, Respondent's registration is subject to discipline under §409.4-412(d)(2), RSMo Cumulative Supp. 2003. Respondent's registration may be revoked, suspended, barred or censured and the Commissioner may impose a civil penalty in an amount not to exceed a maximum of five thousand dollars for a single violation or fifty thousand dollars for several violations pursuant to §409.4-412 (b) and (c), Cumulative Supp. 2003.
9. Because Respondent did not amend the Form U-4 disclosing complaints in counts 1 through 10 above, Respondent violated §409.5-505, RSMo Cumulative Supp. 2003 by making or causing to be made false or misleading statements in a filing with the commissioner, specifically in connection with responses to questions in Form U-4 submitted through the CRD System, authorizing the Commissioner to issue a cease and desist order, impose civil penalties and a charge for investigative costs pursuant to §409.6-604, RSMo Cumulative Supp. 2003.

ORDER

IT IS THEREFORE ORDERED that Respondent Elangovan Surendran is permanently prohibited from violating, or materially aiding others in violating §409.5-505, RSMo Cumulative Supp. 2003 by making or causing to be made false or misleading statements in any filing with the commissioner, specifically in connection with responses to questions in Form U-4 submitted through the CRD System.

IT IS FURTHER ORDERED that Respondent Elangovan Surendran (CRD #2658729) is permanently BARRED from registration as an agent, and from association or employment with any broker-dealer registered in the State of Missouri.

IT IS FURTHER ORDERED that pursuant to §§409.4-412(c) and 409.6-604(d), RSMo Cumulative Supp. 2003, Respondent Elangovan Surendran (CRD #2658729) shall pay within ten days of this order the sum of ten thousand dollars (\$10,000) to the State of Missouri as civil penalties, and such funds shall be paid into the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri.

IT IS FURTHER ORDERED that pursuant to §409.6-604(e), RSMo Cumulative Supp. 2003, Respondent Elangovan Surendran (CRD #2658729) shall pay within ten days of this order the additional sum of one thousand two hundred eighty dollars (\$1,280) to the Secretary of State's Investor Education and Protection Fund as reimbursement for the costs of the investigation and administration of this matter.

IT IS FURTHER ORDERED that the request for suspension or revocation is dismissed without prejudice.

SO ORDERED.

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 16th DAY OF January, 2005.



MATT BLUNT
SECRETARY OF STATE

A handwritten signature in blue ink, appearing to read "Douglas M. Ommen".

DOUGLAS M. OMMEN
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of January, 2005, a copy of the foregoing order was mailed by certified U.S. Mail, postage prepaid, to the Respondent in this matter.

A handwritten signature in blue ink, appearing to read "Diann L. Wingrath".

Diann L. Wingrath
Administrative Aide