

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 328627

PURSHE KAPLAN STERLING, INC.
CRD# 35747

Respondent.

Issued and entered
This 29th day of March, 2017

NOTICE OF INTENT TO CENSURE AND FINE BROKER-DEALER

I. RELEVANT FACTS AND APPLICABLE LAW.

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Purshe, Kaplan, Sterling Investments, Inc. (CRD#35747) ("PKS") is a broker-dealer that has been registered pursuant to the Securities Act in Michigan since in or around March of 1999.
2. The Corporations, Securities, and Commercial Licensing Bureau ("the Bureau") within the Department of Licensing and Regulatory Affairs began an investigation of an agent, associated with Respondent, Mr. Gopi Vungarala (CRD# 4856193) after the Financial Industry Regulatory Authority ("FINRA") initiated regulatory proceedings based on Respondent and Mr. Vungarala charging larger-than-necessary commissions to a customer without adequately disclosing to the customer the extent or nature of the commission payments. (Exhibit 1 – FINRA Complaint).
3. The Bureau's investigation resulted in the issuance of a Notice of Intent to Revoke, Suspend, Condition, or Limit Mr. Vungarala's securities agent registration, which is issued concurrently with this Notice of Intent to Censure and Fine Broker-Dealer. (Exhibit 2 – Vungarala Notice of Intent).
4. The Bureau's investigation developed evidence that Respondent failed to supervise Mr. Vungarala in connection with the application of volume discounts for a customer of the broker-dealer. Analysis by staff indicates that Respondent's failure to supervise Mr. Vungarala in this respect resulted in the customer paying \$346,390.84 more in commissions to Respondent than it would have had volume discounts been properly applied in the customer's account.¹ Respondent acknowledged that it did not have

¹ The Bureau understands that Respondent has since taken steps to remedy the situation by correcting share prices in the customer's account to reflect the missed volume discounts.

adequate procedures to review for proper application of volume discounts until after FINRA notified Respondent about concerns regarding Mr. Vungarala.²

5. The Director ("Administrator") of the Bureau has reviewed materials relating to Respondent's actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to censure, impose a bar, or impose a civil fine, based upon Respondent's conduct discussed above and hereafter.

6. Section 412(3) of the Securities Act, MCL 451.2412(3), states:

If the administrator finds that the order is in the public interest and subsection (4)(a) to (f), (i) to (j), or (l) to (n) authorizes the action, an order under this act may censure, impose a bar, or impose a civil fine in an amount not to exceed a maximum of \$10,000.00 for a single violation or \$500,000.00 for more than 1 violation on a registrant...

7. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

(i) The person has failed to reasonably supervise an agent, investment adviser representative, or other individual, if the agent, investment adviser representative, or other individual was subject to the person's supervision and committed a violation of this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous 10 years...

8. Section 412(6) of the Securities Act, MCL 451.2412(6), states:

(6) The administrator may suspend or deny an application summarily, restrict, condition, limit, or suspend a registration, or censure, bar, or impose a civil fine on a registrant pending final determination of an administrative proceeding. On the issuance of the order, the administrator shall promptly notify each person subject to the order that the order has been issued, the reasons for the action, and that, within 15 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 by a person subject to the order or is not ordered by the administrator within 30 days after the date of service of the order, the order is final. If a hearing is requested or ordered, the administrator, 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.

² Respondent has since updated its Supervisory Procedures in November of 2014 to ensure volume discounts are properly applied moving forward.

9. The Administrator may censure, impose a bar, or impose a civil fine pursuant to section 412(3) of the Securities Act, MCL 451.2412(3), because it is in the public interest, and because:

- A. Respondent has failed to reasonably supervise an agent that was subject to Respondent's supervision and that agent has committed a violation of the Securities Act within the previous 10 years.

II. ORDER.

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO CENSURE AND FINE PURSHE KAPLAN STERLING, INC. under section 412(3) of the Securities Act, MCL 451.2412(3), because it has failed to supervise its agent, which supports the imposition of a censure and a fine under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In her final order, the Administrator intends to impose a civil fine of \$10,000.00 against Respondent under section 412(3) of the Securities Act, MCL 451.2412(3).

3. In accordance with sections 412(3) and 412(6) of the Securities Act, MCL 451.2412(3) and MCL 451.2412(6): This is NOTICE that the Administrator intends to commence administrative proceedings to censure, impose a bar, or impose a civil fine, and that Respondent has thirty (30) calendar days after the date that this Order is served on Respondent to submit a written request to the Administrator that this matter be scheduled for a hearing. If the Administrator timely receives a written request, the Administrator shall schedule a hearing within 15 days after receipt of the written request. If a hearing is not requested by Respondent or is not ordered by the Administrator within 30 days after the date of service of this Order, then the Order becomes FINAL. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

III. ORDER FINAL ABSENT HEARING REQUEST

1. Under section 412(6) of the Securities Act, MCL 451.2412(6), the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this NOTICE OF INTENT TO CENSURE AND FINE BROKER-DEALER shall result in this order becoming a FINAL ORDER by operation of law. The FINAL ORDER includes the imposition of the fines described in section II.2, and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$10,000.00 – Purshe Kaplan Sterling, Inc., under section 412(3) of the Securities Act, MCL 451.2412(3).

2. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

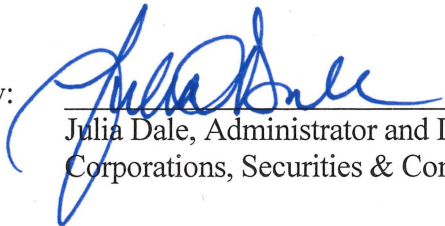
3. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

4. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondents.

If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By: _____



Julia Dale, Administrator and Director
Corporations, Securities & Commercial Licensing Bureau