

1 MARY ANN SMITH
Deputy Commissioner
2 DANIEL P. O'DONNELL
Assistant Chief Counsel
3 JOANNE ROSS (State Bar No. 202338)
Senior Counsel
4 Department of Business Oversight
5 1515 K Street, Suite 200
6 Sacramento, California 95814
7 Telephone: (916) 324-9687
Facsimile: (916) 445-6985
8 Attorneys for Complainant

10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:) CRD No.: 23696
13 THE COMMISSIONER OF BUSINESS)
14 OVERSIGHT,) ACCUSATION TO REVOKE SILICON
15 Complainant,) VALLEY SECURITIES, INC.'S BROKER-
16 v.) DEALER CERTIFICATE PURSUANT TO
17 SILICON VALLEY SECURITIES, INC.,) CORPORATIONS CODE SECTION 25212
18 Respondent.)
19)
20)
21)

22 Manuel P. Alvarez, the Commissioner of Business Oversight (Commissioner), is informed
23 and believes, and based upon such information and belief, alleges and charges Respondent as follows:

24 I.

25 **Jurisdiction**

26 1. The Commissioner is authorized to administer and enforce the provisions of the Corporate
27 Securities Law of 1968 (Corp. Code §25000 et seq.) (CSL) and brings this action pursuant to the
28 provisions of Corporations Code section 25212.

II.**Statement of Facts**

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3 2. At all relevant times, Respondent Silicon Valley Securities, Inc. (SVSI) was a broker-dealer
4 licensed by the Department of Business Oversight (Department) pursuant to the CSL beginning on or
5 about March 19, 1989 (CRD No. 23696), with its principal place of business located at 20445
6 Montalvo Road, Saratoga, California 95070.

7 3. In June 2018, the Department commenced a routine examination of SVSI and discovered
8 several violations of the CSL, including SVSI's failure to adequately supervise its agents, failure to
9 maintain and enforce written supervisory procedures, failure to properly identify in writing the
10 reasons for having exercising discretionary authority over customer accounts, and failure to maintain
11 required records.

12 4. During the June 2018 exam, the Department found that a previous registered representative of
13 SVSI borrowed money from at least two clients in violation of SVSI's written supervisory
14 procedures. The registered representative voluntarily resigned from SVSI in February 2018. SVSI's
15 failure to follow its written supervisory procedures violates California Code of Regulations, title 10,
16 section 260.218.4, subdivision (c)(2).

17 5. The Department found during its June 2018 exam that in at least three instances, SVSI's
18 Order Tickets were not properly filled out and did not disclose the trade type. This violated SVSI's
19 written supervisory procedures. SVSI's failure to identify and correct the improperly filed Order
20 Tickets in accordance with its written supervisory procedures violates California Code of
21 Regulations, title 10, section 260.218.4, subdivisions (a) and (c)(2) and (3).

22 6. During the June 2018 exam, the Department reviewed SVSI's customer records and
23 discovered that one of SVSI's registered representatives had discretionary authority over at least two
24 customer brokerage accounts. The Limited Trading Authorizations for the two clients did not include
25 a written statement indicating the reasons for the discretionary authorization as required under
26 California Code of Regulations, title 10, section 260.218.6.

27 7. The Department requested copies of SVSI's exception reports during its June 18, 2018 exam.
28 SVSI informed the Department that it does not have exception reports. SVSI's supervisory

1 procedures require SVSI’s compliance department to monitor and review exception reports on a daily
2 basis, but SVSI was unable to provide any exception reports in violation of Corporations Code
3 section 25241.

4 **III.**

5 **The Broker-Dealer Certificate of Silicon Valley Securities, Inc.**

6 **Should Be Revoked Pursuant to Corporations Code Section 25212**

7 8. Corporations Code section 25212 states, in relevant part:

8 The commissioner may, after appropriate notice and opportunity for hearing, by
9 order censure, deny a certificate to, suspend for a period not exceeding 12 months
10 or **revoke the certificate of, any broker-dealer** if the commissioner finds that
11 the censure, denial, suspension, or **revocation** is in the public interest and that the
12 broker-dealer, whether prior or subsequent to becoming a broker-dealer, or any
13 partner, officer, director, or branch manager of the broker-dealer, whether prior or
14 subsequent to becoming associated with the broker-dealer, or any person directly
15 or indirectly controlling the broker-dealer, whether prior or subsequent to
16 becoming such, or any agent employed by the broker-dealer while so employed
17 has done any of the following:

18 ...

19 (i) Has violated any provision of this division or the rules thereunder or, in the
20 case of an applicant only, any similar regulatory scheme of the State of California
21 or a foreign jurisdiction.

22 9. SVSI has violated provisions of the CSL by failing to adequately supervise its agents, failing
23 to maintain and enforce written supervisory procedures, failing to properly identify in writing the
24 reasons for obtaining discretionary authority over customer accounts, and failing to maintain required
25 records.

26 **IV.**

27 **WHEREFORE**, based upon the foregoing, the Commissioner finds it is in the public interest
28 to revoke the broker dealer certificate of Silicon Valley Securities, Inc. pursuant to Corporations
Code section 25212.

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1 WHEREFORE, IT IS PRAYED that the broker-dealer certificate of Silicon Valley Securities,
2 Inc. be revoked pursuant to Corporations Code section 25212 for violations of Corporations Code
3 section 25241 and California Code of Regulations, title 10, sections 260.218.4 and 260.218.6.

4 Dated: January 9, 2020
5 Sacramento, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

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7 By: _____
8 JOANNE ROSS
9 Senior Counsel
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