

OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION

IN THE MATTER OF)	
)	
EDUARDO GUILLERMO DIAZ)	Administrative Consent Order
)	Number LS-14-0543
<i>Respondent</i>)	
)	

CONSENT ORDER

WHEREAS, the Securities Division of the Mississippi Secretary of State (“Division”), having the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”) codified at Mississippi Code Annotated Sections 75-71-101 et. seq.,

WHEREAS, Eduardo Diaz (“Respondent”), individually, has advised the Division of his agreement to resolve the matter,

WHEREAS, Respondent, solely for the purpose of concluding this matter with the Division and without admitting or denying the Findings of Fact and Conclusions of Law set forth herein, agrees to certain actions described herein, and consents to the terms and conditions of this Administrative Consent Order (“Order”); and

WHEREAS, Respondent elects to permanently waive any right to a hearing and appeal under the Act in Sections 75-71-604 and 75-71-609 with respect to this Order;

NOW, THEREFORE, the Division, as Administrator of the Act, hereby enters this Order:

I. FINDINGS OF FACT

Parties

1. The Secretary of State has the authority pursuant to the Act to administer and enforce the Act and regulate the offer and sale of securities in Mississippi including the firms and persons who offer or sell securities or who provide investment advice regarding securities.
2. Eduardo G. Diaz (“Diaz”) is an individual with a last known residence at 107 San Souci Avenue in Biloxi, Mississippi. The Central Registrations Depository (“CRD”) number for Diaz is 1621873.
3. From December 19, 2008 to October 19, 2012, Diaz was registered with NEXT Financial Group, Incorporated (“NEXT”) as a broker-dealer agent at its branch office located at 2635 Pass Road in Biloxi, Mississippi.
4. ChileRusski, LLC (ChileRusski) was a Mississippi Limited Liability Company formed on June 3, 2010 and partly owned and managed by Diaz. ChileRusski’s purpose was to own and manage several rental houses on the Mississippi gulf coast.
5. AH is an individual residing in Ridgeland, Mississippi and a family friend and client of Diaz.
6. The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States.

Events

7. In or around December 2009, AH was widowed. Being a family friend, Diaz opened brokerage accounts for AH at his firm NEXT to help advise AH on her financial state.
8. On or about July 2010, Mr. Diaz obtained \$75,000 from AH, his brokerage client, as an investment in ChileRusski. This investment entitled AH to a twenty five percent (25%) ownership in the LLC. The transaction was carried out away from and unbeknownst to NEXT Financial Group.
9. Between July 2010 and May 2011, Diaz borrowed an additional \$252,000 from AH for the operations of ChileRusski.
10. On or about February 10, 2014, AH filed a FINRA claim (Docket #14-00227) against Diaz for damages resulting from the aforementioned events.
11. On or about April 30, 2014, Diaz agreed to a FINRA order in Disciplinary Proceeding No. 2012034594402 barring him from association with any FINRA member in any and all capacities. The result of this sanction is that Diaz may not be employed as an associated person for a FINRA member broker-dealer or a FINRA member broker-dealer who is also a federal or state registered investment adviser.
12. On or about January 23, 2015, Diaz and AH settled FINRA Docket #14-00227 to the satisfaction of each party.

II. Applicable Law

13. Miss. Code Ann. § 75-71-412(a) sets forth:

§ 75-71-412. Denial, revocation, suspension, withdrawal, restriction, condition, or limitation of registration.

- (a) Disciplinary conditions-applicants. If the administrator finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this chapter may deny an application, or may condition or limit registration of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser

representative, and, if the applicant is a broker-dealer or investment adviser, of a partner, officer, director, or person having a similar status or performing similar functions, or a person directly or indirectly in control, of the broker-dealer or investment adviser.

14. Miss. Code Ann. § 75-71-412(d) sets forth:

(d) Grounds for discipline. A person may be disciplined under subsections (a) through (c) if the person:

* * * *

(5) Is the subject of an order, issued after notice and opportunity for hearing by:

* * * *

(C) The Securities and Exchange Commission or a self-regulatory organization suspending or expelling the registrant from membership in the self-regulatory organization;

15. Mississippi Securities Act Rule 5.21(B)(1) and (2) Standards of Conduct:

Each broker-dealer and agent shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business. Acts and practices, including, but not limited to, the following, are considered contrary to such standards and may constitute grounds for denial, suspension, or revocation of registration, imposition of fines, or such other action authorized by statute.

B. Agents.

1. Lending or borrowing money or securities from a customer (unless such customer is a bona fide financial institution whose business is to borrow or lend), or acting as a custodian for money, securities, or an executed stock power of a customer;
2. Effecting securities transactions not recorded on the regular books or records of the broker-dealer which the agent represents, unless the transactions are authorized in writing by the broker-dealer prior to execution of the transaction;

III. ACTION NECESSARY TO PROTECT THE PUBLIC

16. Action by the Division to halt future conduct by Respondent is necessary and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

17. The undersigned Respondent agrees that this Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order; and that this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.

18. Respondent, by execution of this Order, affirmatively states that he has freely agreed to the signing of this Order, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Division or any member of the staff of the Division, or any agent or employee of the Division in connection with the signing of this Order.

19. Based upon the foregoing Findings of Fact, and consistent with the consent of the Respondent, the Division makes the following:

IV. CONCLUSIONS OF LAW

20. The Administrator has jurisdiction over the subject matter of securities-related registration in Mississippi and over Eduardo Guillermo Diaz.

21. Diaz violated Mississippi Securities Act Rule 5.21 (B)(2) by selling AH an interest in ChileRusski, LLC away from the firm, NEXT.

22. Diaz violated Mississippi Securities Act Rule 5.21 (B)(1) by borrowing money from client AH.

23. Diaz has been barred from associating with FINRA member broker-dealer firms and their related investment adviser firms.

V. ORDER

IT IS HEREBY ORDERED:

1. This Order concludes the open matter with the Division with respect to Respondent's dealings with AH and his April 30, 2014 FINRA Order. However, nothing herein limits the ability of the Division, individually or jointly with other agencies, in pursuing any investigation with respect to any other securities-related matter involving the Respondent.
2. This Order is entered into solely for the purpose of resolving the aforementioned matters as applicable in the State of Mississippi and is not intended to be used for any other purpose.
3. Respondent shall fully and fairly comply with all of the following requirements:
 - a. Respondent shall permanently refrain from seeking broker-dealer, broker-dealer agent, issuer agent, investment adviser or investment adviser representative registration in Mississippi immediately following the entry of this Order;
 - b. Respondent, having satisfactorily settled FINRA Docket #14-00227, shall not be required by this Consent Order to make restitution of the loans to AH.
 - c. Respondent shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Order or creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligation or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Administrator is not a party; and

d. Respondent shall fully, fairly, and truthfully disclose all information and produce all records and other evidence in his possession, custody, or control relevant to all inquiries made by the Division concerning the subject matter of this Order, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges.

4. If Respondent defaults in any of his obligations set forth in this Order, the Division may, at its sole discretion and upon fifteen (15) days' notice to Respondent, without opportunity for administrative hearing, refer this matter for enforcement as provided in Section 75-71-604 (g) of the Act.

5. This Order shall not disqualify Respondent from any business that he otherwise is qualified or licensed to perform under applicable state law and this Order is not intended to form the basis for any disqualification.

6. This Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Order; and this Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Order.

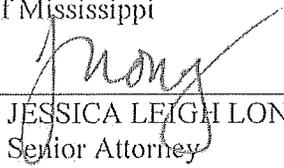
7. This Order releases Respondent from the continuing education requirements pursuant to previous Administrative Consent Order #LS-13-0862, Section III, 4(c) signed by Respondent on January 30, 2014.

8. In the event that one or more provisions contained in this Order shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Order.

9. By his consent to and execution of this Order, Respondent affirmatively represents that he freely agrees to the signing of this Order by the Division, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Division, any member of the staff of the Division, or any agent or employee of the Division in connection with the negotiations and signing of this Order.

Dated this the 27th day of January 2015.

C. DELBERT HOSEMANN, JR.
Secretary of State
State of Mississippi

By: 
JESSICA LEIGH LONG
Senior Attorney
Securities Division

CONSENT TO ENTRY OF FINAL ORDER

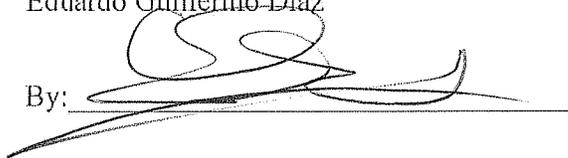
Eduardo Diaz hereby acknowledges that he has been served with a copy of this Administrative Consent Order ("Order") has read this Order, is aware of his right to a hearing and appeal in this matter, and has waived the same.

Eduardo Diaz admits the jurisdiction of the Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division.

Eduardo Diaz states that no promise of any kind or nature whatsoever was made to him to induce him to enter into this Order and that he has entered into this Order voluntarily.

Dated this the 2 day of Feb 2015.

Eduardo Guillermo Diaz

By: 

STATE OF Mississippi

COUNTY OF Jackson

SUBSCRIBED AND SWORN TO before me this 2nd day of Feb, 2014.

Susan W. Byrd

Notary Public

My commission expires: 6/20/2018

