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## *Texas State Securities Board*

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IN THE MATTER OF THE  
AGENT REGISTRATION OF  
MOHAMED H. ELDAWY

§  
§  
§

**Order No. REG18-SUS-03**

TO: Mohamed H. Eldawy (CRD No. 6489642)  
Vestech Securities, Inc.  
11477 Olde Cabin Road, Suite 310  
St. Louis, MO 63141

### DISCIPLINARY ORDER

Be it remembered that Mohamed H. Eldawy ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45 (West 2010 & Supp. 2017) ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2008 & Supp. 2017) ("Administrative Procedure Act").
2. From July 26, 2017, through January 4, 2018, Respondent was registered with the Securities Commissioner as an agent of Morgan Stanley.
3. On February 8, 2018, Respondent applied for registration with the Securities Commissioner as an agent of Vestech Securities, LLC ("Vestech"). This application is currently pending.

4. Respondent has represented to the staff of the Texas State Securities Board (“Staff”) that since February 8, 2018, Respondent has not acted as a “dealer”; an “agent”; an “investment adviser; or an “investment adviser representative”, as those terms are defined in Section 4 of the Texas Securities Act, in the State of Texas.

#### **Inaccurate Form U-4**

5. On January 4, 2018, Respondent was discharged from Morgan Stanley for allegedly using a personal e-mail account to prospect and solicit clients for Respondent’s financial advisory and insurance businesses.
6. Shortly thereafter, on January 11, 2018, Respondent began the onboarding process with Regulus Advisors, LLC (“Regulus”), a registered dealer.<sup>1</sup>
7. The onboarding paperwork executed by Respondent contained certain disclosure questions that Regulus’ compliance team could use to conduct a substantive background investigation into Respondent.
8. These questions could also assist Regulus and Respondent with the preparation of Respondent’s applications for registration with the Securities Commissioner. To this end, the questions are substantively the same as questions in the Uniform Application for Securities Industry Registration or Transfer (“Form U-4”) and the Uniform Termination Notice for Securities Industry Registration (“Form U-5”).
9. Regulus’ onboarding paperwork included a question relating to discharges or terminations from prior firms (the “Termination Disclosure Question”).
10. Specifically, the Termination Disclosure Question asked:

“Have you ever been discharged or permitted to resign because you were accused of violating investment-related statutes, regulation, rules or industry standards of conduct?”

Respondent answered “No” to the Termination Disclosure Question of Regulus onboarding paperwork.

11. At this time, Respondent had not received a copy of his Form U-5 from Morgan Stanley.

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<sup>1</sup> The onboarding process included Respondent’s applications for registration with Regal Investment Advisors LLC, an affiliate of Regulus and an investment adviser registered with the Securities & Exchange Commission.

12. On January 19, 2018, Morgan Stanley filed a Form U-5 on behalf of Respondent.
13. Notably, Morgan Stanley answered "Yes" to the Form U-5 Termination Disclosure Question.
14. On or about January 19, 2018, Morgan Stanley mailed a copy of Respondent's Form U-5 to Respondent.
15. Thereafter, Respondent was aware of the affirmative answer to the Termination Disclosure Question on Respondent's Form U-5 and the need to update Respondent's onboarding paperwork with Regulus to report Respondent's termination from Morgan Stanley.
16. After January 19, 2018, Respondent exchanged emails and had phone conversations with the compliance and onboarding team at Regulus regarding the filing of Respondent's Form U-4 and specifically about the reasons for Respondent transitioning his financial advisory business from Morgan Stanley to Regulus.
17. However, at no time did Respondent inform the compliance and/or onboarding team that the Termination Disclosure Question of Respondent's onboarding paperwork should be changed to an affirmative answer. Respondent did not otherwise update his onboarding paperwork with Regulus to disclose his termination from Morgan Stanley.
18. On January 25, 2018, six days after Morgan Stanley filed Respondent's Form U-5, Respondent's Form U-4 with Regulus was filed containing a "No" answer to the Termination Disclosure Question.
19. Accordingly, Respondent submitted an inaccurate Form U-4 to the Securities Commissioner.
20. Pursuant to Sections 101.2(c) and 133.33(a)(3) of the Rules and Regulations of the State Securities Board ("Board Rules"), certain forms required to be filed with the Securities Commissioner, including the Form U-4, have been adopted as Board Rules and have the same force and effect.
21. Pursuant to Section 115.2(e)(2) of the Board Rules, uniform forms submitted through the Central Registration Depository System maintained by the Financial Industry Regulatory Authority, Inc., including the Form U-4, that designate the State of Texas as a jurisdiction in which the filing is to be made, are deemed to be filed with the Securities Commissioner and constitute official records of the Texas State Securities Board.
22. On January 26, 2018, Regulus became aware of Respondent's inaccurate

Form U-4 filing and chose not to move forward with Respondent's registration as an agent of Regulus.

CONCLUSIONS OF LAW

1. Respondent's filing of an inaccurate Form U-4 with the Securities Commissioner that failed to report Respondent's termination from Morgan Stanley for allegations of violating investment-related statutes, regulations, rules, or industry standards of conduct is a violation of a Board Rule.
2. Pursuant to Section 14.A(6) of the Texas Securities Act, the aforementioned violation of a Board Rule constitutes a basis for the issuance of an order suspending Respondent's registration with the Securities Commissioner.

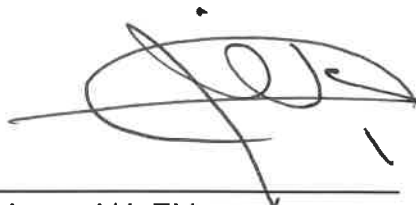
ORDER

1. It is therefore ORDERED that the registration of Mohamed H. Eldawy as an agent of Vestech Securities, Inc. with the Securities Commissioner is hereby GRANTED.
2. It is further ORDERED that the agent registration of Mohamed H. Eldawy with the Securities Commissioner is hereby SUSPENDED for a period of sixty (60) days.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 15<sup>th</sup>  
day of, August 2018.

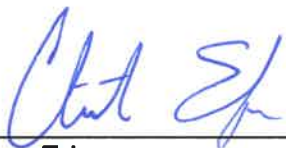
  
\_\_\_\_\_  
TRAVIS J. ILES  
Securities Commissioner

Respondent:

A handwritten signature in black ink, appearing to be 'Mohamed H. Eldawy', written over a horizontal line.

Mohamed H. Eldawy

Approved as to Form:

A handwritten signature in blue ink, appearing to be 'Clinton Edgar', written over a horizontal line.

Clinton Edgar  
Deputy Securities Commissioner

A handwritten signature in black ink, appearing to be 'Cristi Ramón Ochoa', written over a horizontal line.

Cristi Ramón Ochoa  
Attorney, Inspections and Compliance Division

**ACKNOWLEDGMENT**

On this 11 day of August, 2018, Mohamed H Eldawy ("Respondent"), appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent has read the foregoing Order;
2. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



Notary Public in and for

The State of TEXAS

My commission expires on Nov 12, 2018

[affix notary seal here]

