

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 1666 / September 16, 1997

ADMINISTRATIVE PROCEEDING
File No. 3-9413

IN THE MATTER OF STEPHENS INC., RESPONDENT.

ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTION 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and they hereby are, instituted pursuant to Section 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") to determine whether Stephens Inc. ("Stephens" or "Respondent") violated Sections 204 and 206(3) of the Advisers Act and Rule 204-3(f) promulgated thereunder.

II.

In anticipation of the institution of these administrative proceedings, Stephens has submitted an Offer of Settlement ("Offer") to the Commission, which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the matters set forth herein, the Respondent consents to the issuance of this Order Instituting Proceedings, Making Findings and Imposing a Cease-and-Desist Order ("Order"), and to the entry of the findings and the imposition of the cease-and-desist order set forth below.

III.

The Commission finds the following:

- a. Stephens is, and at all relevant times was, an investment adviser registered with the Commission pursuant to Section 203(c) of the Advisers Act and a broker-dealer registered with the Commission pursuant to Section 15 of the Securities Exchange Act of 1934.
- b. From January 1, 1994, through September 30, 1995, Stephens directly effected approximately 4,307 principal transactions by purchasing and selling for its advisory clients securities which Stephens, through its own broker-dealer operations, made a market.
- c. When it entered into advisory agreements with its clients, Stephens generally obtained a written, blanket consent from each client authorizing it to engage in principal transactions through its broker-dealer operations which made markets in such securities. Blanket consents do not satisfy the requirements of Section 206(3) of the Advisers Act.
- d. As a result of the foregoing, Stephens violated Section 206(3) of the Advisers Act.
- e. At all relevant times, a majority of Stephens' advisory clients engaged Stephens on a "wrap fee" basis, such that clients purportedly paid one all-inclusive fee for advisory services, management costs and brokerage execution.

f. Stephens failed to file Schedule H of Form ADV and from October 1, 1994, through August 1996, did not provide its clients with a disclosure statement (separate from Form ADV) containing at least the information required by Schedule H of Form ADV.

g. As a result of the foregoing, Stephens violated Section 204 and Rule 204-3(f) thereunder.

IV.

Based on the foregoing, the Commission finds that Stephens violated Sections 204 and 206(3) of the Advisers Act and Rule 204-3(f) thereunder.

V.

Accordingly, IT IS HEREBY ORDERED THAT:

Stephens shall cease and desist from committing or causing any violation or future violation of Sections 204 and 206(3) of the Advisers Act and Rule 204-3(f) thereunder.

By the Commission.

Jonathan G. Katz
Secretary