

Small firms upset by an NASD hiring

By [Dan Jamieson](#)
May 7, 2007

IRVINE, Calif. — NASD has hired a former board member as a consultant, raising questions about conflicts of interest and concerns about how well small firms have been represented in the organization.

William Alsover was chairman of NASD's small-firm advisory board and was a designated board representative for small firms. Moreover, he was involved in gaining support among member firms for a controversial vote on bylaw changes needed for the merger of its regulatory functions with those of the New York Stock Exchange.

Small NASD member firms were crucial to winning that vote in January.

The bylaw changes are awaiting approval by the Securities and Exchange Commission. A lawsuit challenging the voting process was dismissed last week. Mr. Alsover resigned from his NASD board seat, as well as his chairmanship of Centennial Securities Co. LLC of Grand Rapids, Mich., last month, and he began working last Monday as a consultant with NASD's member relations department. He declined to discuss specifics of his contract.

"We've been musing [about a NASD consulting role] for some time," Mr. Alsover said.

Warm and fuzzy?

"Once it became clear we were going to enter into a consulting relationship, he stepped down from board," said NASD spokesman Herb Perone. The member relations office was created last year to function as an outreach program to members.

Mr. Alsover said that his role will be to improve NASD's relationship with small firms and to clear up "misinformation" about the self-regulatory organization's policies. But that doesn't impress some critics.

Some small firms wonder how well Mr. Alsover represented their interests, especially while negotiating a deal with Washington-based NASD.

The member relations department is a "public relations gimmick," said Bill Singer, an attorney with Stark & Stark of Lawrenceville, N.J., who represents the Financial Industry Association, a Longwood, Fla., advocacy group for small firms that has been active in contesting NASD elections.

Mr. Alsover's role reversal — from representing small firms before NASD to one of representing NASD before small firms — has raised some hackles. "It doesn't smell perfectly clean," said Stephen Ascher, founder of Ascher Decision Services Inc. in Pasadena, Calif., who served for several years with Mr. Alsover on the small-firms committee at the regulator.

"I'm shocked" by the move, said Dan Roberts, founder of Roberts & Ryan Investments Inc. in San Francisco and an

NASD district committee member.

Mr. Alsover “enabled [NASD to] crush small firms” with complicated rules that “are not appropriate to small dealers,” said Mr. Roberts, who has been critical of NASD. “He should go back and try to make a living [operating with those burdens].”

Mr. Alsover “is a nice guy and very professional, but we never believed he was representing small firms,” said Richard Goble, president of the FIA and founder of North American Clearing Inc., also in Longwood.

Mr. Goble said he thinks that Mr. Alsover had been working toward a consulting role with the NASD for some time.

“I figured there’d be some backlash” about working for NASD, Mr. Alsover said, adding that he also has received congratulations and support from other NASD members.

Mr. Alsover is a “good advocate for small firms,” said Louis Denton, senior vice president at Petersen Investments Inc. in New York, who succeeded him as chairman of the small-firm advisory board.

Mr. Denton, as vice chairman, had been working with Mr. Alsover on the board.

Mr. Alsover wasn’t “just running [the small-firm advisory board] for the benefit of the NASD,” Mr. Ascher said. “He always seemed to be pretty open-minded and objective.”

In the wake of the merger vote, even its critics say that NASD seems more sensitive to tailoring rules to small firms.

Nevertheless, quite a few NASD members remain livid about the proposed merger that would take away firms’ existing power to nominate and vote for a majority of the board.

As proposed, a single firm could nominate and vote on no more than three board members out of 23 at the new SRO. The board would have 10 industry slots.

Key player

Mr. Alsover, who was a key player in rallying support for the deal, has argued that the three board seats reserved for small firms on the proposed new SRO’s board is an improvement over the current single small-firm spot. He was last elected to fill that slot in 2004.

LaRae Bakerink, chief executive of Westfield Bakerink Brozak LLC of San Diego, has been tapped to fill the small-firm post until a new board is constituted.

NASD expects to close the transaction next month.

“In order to take advantage of the terms — which include a \$35,000 payment ... and an annual \$1,200 [regulatory fee] reduction for five years — NASD members must approve the changes to the bylaws,” Mr. Alsover said in a December letter he sent to members as chairman of the small-firm advisory board.

Critics of the merger argue that their disenfranchisement isn’t worth the money. Mr. Alsover said small firms now need to focus on getting the right representatives on the new SRO’s board.

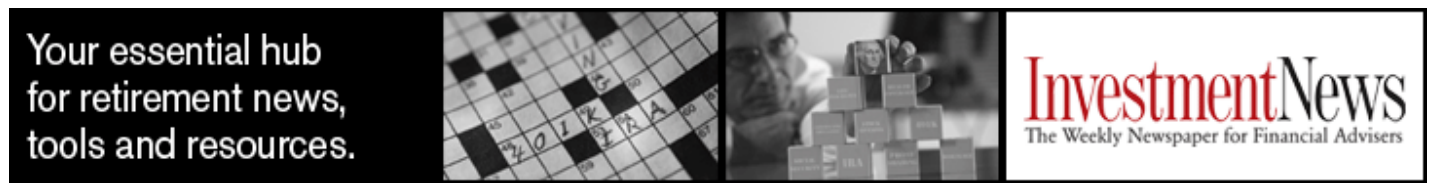
“The next three years is going to set the stage for the way our industry is regulated,” he said.

Mr. Roberts, for one, is thinking about running for the new SRO’s board with the goal of ensuring more vigorous representation for smaller firms. “I will not be co-opted,” he promised.

In dismissing the lawsuit, Judge Shirley Wohl Kram of the U.S. District Court for the Southern District of New York ruled that the plaintiff in the case, Standard Investment Chartered Inc., had not exhausted its administrative

remedies. She said that the Costa Mesa, Calif., brokerage firm must take its claims to the SEC.

Reproductions and distribution of the above news story are strictly prohibited. To order reprints and/or request permission to use the article in full or partial format please contact our Reprint Sales Manager at (732) 723-0569.



[About Us](#) | [Contact Us](#) | [Search](#) | [Editorial Calendar](#) | [Advertise](#)

Subscriber Services: [Subscribe](#) | [Renew](#) | [Subscription Status](#) | [Pay an Invoice](#) | [Change Mail Address](#)

[Reprints](#) | [List Rental](#) | [Issue Index](#) | [Privacy Policy](#)

Crain Financial Group: [Pensions & Investments](#) | [FinancialWeek](#) | [Workforce Management](#)

Copyright 2007 [Crain Communications Inc.](#)
Use of editorial content without permission is strictly prohibited. All rights reserved.
Site Design by [Karen Morstad & Associates.](#)