

Disciplinary and Other FINRA Actions

Firms Expelled

Westor Capital Group, Inc. (CRD® #103823, Herkimer, New York) was expelled from FINRA® membership. The sanction was based on findings that the firm willfully engaged in securities transactions when it had a net capital deficiency, and willfully failed to perform reserve calculations and obtain a notification from a bank at which a reserve account was maintained, certifying that the bank was informed that all cash or qualified securities deposited in the bank were being held for the exclusive benefit of customers of the broker or dealer, and were being kept separate from any other accounts the broker or dealer maintained with the bank. The findings stated that the firm willfully filed a false Uniform Application for Broker-Dealer Registration (Form BD) by misrepresenting material facts. The firm failed to seek and obtain FINRA approval for material changes in its business operations. The firm willfully failed to make and keep current order memoranda for transactions involving a thinly traded Pink Sheet stock. The majority of the trades involved sales made by the firm's holding company. The findings also stated that the firm failed to timely and completely respond to FINRA requests for documents and information. The firm made improper use of customer securities by using customers' fully paid shares to effect and cover short sales, refusing to deliver a customer's fully paid shares to him, and refusing to return a free credit balance to a customer despite repeated requests for the funds. The firm willfully failed to maintain physical possession or control of customers' fully paid securities. (FINRA Cases #[2011025506901](#)/[2012031479601](#))

Firms Fined, Individuals Sanctioned

The Vertical Trading Group, LLC (CRD #104353, New York, New York), Glenn Matthew Chaleff (CRD #4014721, Registered Principal, Hoboken, New Jersey) and Mark McCabe Duncan (CRD #3094678, Registered Principal, Lebanon, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$400,000 and required to review and revise its anti-money laundering (AML) and Section 5 of the Securities Act of 1933 policies, procedures and internal controls in order to tailor them to its business model. Chaleff was fined \$15,000 and suspended from association with any FINRA member in any principal capacity for two months. Duncan was fined \$50,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, the firm, Chaleff and Duncan consented to the described sanctions and to the entry of findings that the firm and Duncan engaged in the distribution of \$10 million in unregistered

Reported for March 2014

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

securities, failed to conduct an adequate independent inquiry to determine whether the shares of the securities were freely tradable, and failed to undertake sufficient efforts to ascertain whether the stocks could be properly sold under the claimed exemption, and accordingly did not satisfy their duty to conduct a reasonable inquiry, which is a crucial part of the brokers' exemption. The findings stated that the firm and Chaleff did not establish and maintain adequate supervisory systems and procedures reasonably designed to comply with Section 5 of the Securities Act of 1933. Chaleff was responsible for the firm's written supervisory procedures (WSPs). The firm and Chaleff failed to implement the firm's WSPs, which allowed a customer to sell large volumes of the thinly traded securities, and did not identify and adequately address the multiple "red flags" signaling that the customer's conduct was a plan to evade compliance with Section 5 of the Securities Act of 1933. The securities the customer sold were not registered and were not subject to an exemption from registration. In each instance, the customer represented that it had converted debt that the issuer owed to third parties into equity of the issuer. The firm and Duncan knew, or reasonably should have known, that the customer utilized a strategy of converting debt to equities in smaller increments over multiple days in order to avoid qualifying as a control person, which would have resulted in strict volume limitations on his ability to liquidate the shares. The firm's AML policies, procedures and internal controls were not reasonably designed to monitor for, detect and cause the reporting of suspicious transactions, and failed to address the inherent risks associated with liquidations by customers of multiple thinly traded, speculative Over-The-Counter Bulletin Board (OTCBBTM) and Pink Sheet securities of issuers with little or no operational histories and minimal revenues. Based on the nature and type of securities the firm's customers traded, it should have had an AML program that was reasonably designed to monitor for, detect and report such suspicious trading activity associated with high volumes of stock liquidations in low-priced securities, but did not. The firm and Chaleff failed to implement its existing AML policies and procedures, which identified specific activities that indicated potentially suspicious activity. The firm relied in part on exception reports from its clearing firm to monitor for suspicious activity, and Chaleff monitored customers' trading on an ongoing basis by randomly reviewing customers' trading to look for volume spikes, but he failed to identify any red flags. The firm did not have a process to establish parameters that would trigger a review and Chaleff's implementation, through random reviews, did not allow him the opportunity to discover patterns of potentially manipulative trading. Even after the firm amended its AML procedures, the firm and Chaleff did not adequately inquire into the liquidation activity in the low-priced securities. The findings also stated that the firm failed to address red flags indicating potentially suspicious activity related to correspondent accounts it maintained for foreign financial institutions, which predominantly sold large volumes of low-priced OTCBB and Pink Sheet securities through its delivery-versus-payment (DVP) accounts at the firm. The firm received trading instructions from persons at these foreign institutions who were authorized to communicate orders to the firm. The firm and Chaleff knew of these traders' disciplinary histories but did not take sufficient steps to monitor their trading activities on the foreign institution's behalf. Despite having correspondent

DVP accounts for foreign financial institutions, the firm and Chaleff did not implement an appropriate due diligence program. The WSPs also required the firm to conduct a risk-based assessment that considered certain factors, including the nature of services that the firm provided to the account (in this case, liquidations of multiple low-priced stocks that generated tens of millions of dollars for the foreign customers), but the firm failed to adequately implement these due diligence procedures.

Chaleff's suspension is in effect from February 3, 2014, through April 2, 2014. Duncan's suspension is in effect from February 3, 2014, through April 2, 2014. ([FINRA Case #2010022017301](#))

Wadsworth Investment Co., Inc. (CRD #5844, Preston, Connecticut) and William Frederick Wadsworth (CRD #456251, Registered Principal, Lighthouse Point, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$50,000. Wadsworth was fined \$20,000 and suspended from association with any FINRA member in any principal capacity for three months. Without admitting or denying the findings, the firm and Wadsworth consented to the described sanctions and to the entry of findings that at least five firm personnel sent and/or received business-related emails from personal email accounts to, *inter alia*, other firm employees, which the firm did not retained. Wadsworth, as the firm's President and Chief Compliance Officer (CCO), was responsible for ensuring that the firm implemented a system to retain business-related electronic communications. The findings stated that after a FINRA settlement, the firm and Wadsworth took steps to reemphasize to the firm's representatives its policy prohibiting the use of email for business communications with the firm customers. The firm and Wadsworth's efforts did not, however, extend to the use of personal email accounts to send business-related emails to other firm employees. After the implementation of a firm email system, the firm's WSPs relating to email were deficient. Specifically, the WSPs regarding the review of email the firm retained consisted of a single sentence noting the firm's authority to review. The WSPs failed to provide guidance on how email was to be reviewed, the frequency of reviews, individuals responsible for conducting the reviews or the means of recording the review. There is no evidence that Wadsworth or any other firm personnel reviewed email. The findings also stated that the firm, acting through Wadsworth, failed to ensure that the firm established and maintained a supervisory system, and failed to establish, maintain and enforce WSPs reasonably designed to ensure compliance with applicable securities laws and regulations, including those relating to the retention and review of electronic business communications. Despite the firm being disciplined by FINRA for failing to conduct annual reviews of its business, Wadsworth did not conduct an annual review of the firm's business in 2009; and although he did conduct a review in 2010 and 2011, Wadsworth and the firm did not create any written report of these reviews, and there is no evidence that the reviews tested and verified the firm's WSPs. The firm, acting through Wadsworth, conducted inadequate periodic reviews of the firm's business and failed to draft written reports of review findings.

The suspension is in effect from February 18, 2014, through May 17, 2014. ([FINRA Case #2011025443801](#))

Firm and Individual Fined

Great Nation Investment Corporation (CRD #19981, Amarillo, Texas) and Byron Pat Treat (CRD #1466393, Registered Principal, Amarillo, Texas) submitted an Offer of Settlement in which the firm was censured and fined \$20,000 and Treat was fined \$5,000. Without admitting or denying the allegations, the firm and Treat consented to the described sanctions and to the entry of findings that the firm, acting through Treat, failed to establish, maintain, and enforce an adequate supervisory system and WSPs regarding the firm's participation in contingent offerings of securities. The findings stated that the firm's supervisory systems and WSPs were inadequate to ensure compliance with the terms of the prospectuses for contingent offerings of church bond securities. The firm's supervisory systems and WSPs also failed to contain provisions regarding supervision of the activity in escrow accounts established in connection with contingent offerings of securities. The firm did not have any procedures in place that required review of escrow account statements to ensure that investor funds were being handled in accordance with the terms of offering prospectuses. The findings also stated that the firm, while acting in an agency capacity, failed to disclose commission fees, totaling approximately \$42,000 that it charged to customers on customer confirmations. ([FINRA Case #2011026374802](#))

Firms Fined

Accelerated Capital Group, Inc. (CRD #41270, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$32,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its website contained misleading information, including fabricated testimonials, a world map graphic that incorrectly suggested the firm had worldwide offices and wanted to add 250 financial advisers, but did not state that the firm had only two offices and omitted to state that its Membership Agreement limited the firm to 20 associated persons who have direct contact with customers. The findings stated that two of the firm's representatives maintained business-related websites that contained false, misleading, exaggerated and promissory statements. The firm's representatives disseminated power point slides to investors that were unbalanced, failed to present a sound basis for evaluating the offered investment, and violated the proscriptions against exaggerated performance predictions and unwarranted performance claims and forecasts. The findings also stated that the firm participated in a contingent offering, but rather than deposit investor funds in an escrow account at a bank as Securities Exchange Act of 1934, Rule 15c2-4 and the firm's procedures required, the firm caused investor funds to be deposited into a client trust account held by an attorney. The findings also included that the firm failed to have any system or procedures applicable to the review and approval of websites, including procedures that addressed whether they would be permitted, who would be responsible for their review and approval, and how that approval would be documented; and failed to enforce its WSPs addressing compliance with the Securities Exchange Act of 1934 Rule 15c2-4. ([FINRA Case #2011025769301](#))

American Investors Group, Inc. (CRD #10020, Minnetonka, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its supervisory system and procedures were not reasonably designed to ensure fair pricing of church bonds in the secondary market. The findings stated that the firm specializes in underwriting and selling bonds issued by churches. Although there is no established secondary market for these securities, investors sometimes wish to sell church bond holdings before maturity. Whereas the firm subjected church bonds to a significant due-diligence process during initial underwriting, the firm did not have any established written process for investigating the status of individual church bonds before offering them to secondary-market customers. Although the firm knew whether a bond was in default, it did not have a supervisory system that required its personnel to further investigate the bond issuer's ability to continue making sinking-fund payments in the future. Nor did the firm's supervisory system or procedures in place specifically require that firm personnel consider relevant market conditions, such as changes in the interest rate environment, in connection with secondary-market sales. With respect to church bonds traded in the secondary market, the firm did not conduct adequate ongoing due diligence. Because the firm was the only participant in this secondary market, it set the prices at which it repurchased and resold church bonds at its own discretion, and had no market price or other external reference upon which to rely. The firm's supervisory system did not require that the firm apply a particular methodology or process to determine the extent of its markdowns or markups, and its WSPs did not address the subject at all.

The findings also stated that the firm published fliers and maintained a publicly accessible website in connection with its church bond sales. Some of the fliers that the firm created and distributed did not provide a fair and balanced presentation of the risks and rewards of the church bonds that they promoted. The firm's website also failed to provide a clear and balanced disclosure of the risks and rewards of the various securities promoted through the website, and failed to provide a basis for potential customers to evaluate several claims about the promoted securities. ([FINRA Case #2012030783101](#))

Ariane Capital Partners LLC (CRD #36143, Villanova, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$32,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its representatives used non-firm email accounts for business-related communications. The findings stated that the firm was aware of such use, failed to retain and review all of these emails, and failed to preserve emails in the manner required by Securities Exchange Act of 1934 Rule 17a-4. The firm did not have a system to preserve its emails in a non-rewriteable, non-erasable format. The firm had WSPs that mandated, inter alia, the monthly review of correspondence and a record of such reviews, which the firm failed to enforce. ([FINRA Case #2012030599001](#))

Banesto Securities, Inc. nka Santander International Securities, Inc. (CRD #131165, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$650,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that for seven years, it consistently failed to disclose to clients the purpose and nature of a custody fee. The findings stated that at account opening, the firm notified clients of all fees charged through the use of a commission schedule that disclosed, among other things, that all clients were charged a custody fee. There was no description of the purpose or nature of the fee. Rather, clients were provided with the mathematical formula used to determine the amount of the fee. Clients were charged the fee at the beginning of each quarter, based on assets from the last day of the prior quarter. The client monthly account statements described the fee as an administrative fee or a fee-based brokerage charge, a term normally associated with accounts that collect all-inclusive wrap fees as compensation for transactions and investment advice. The use of two different terms for the same fee, neither of which accurately described the fee, created the potential for confusion as to the nature and purpose of the charge. All custody services were provided by the firm's clearing firm, so the reference to the fee as a custody fee was misleading and inaccurate. The monies the firm collected from application of this fee were not for the purpose of paying custody expenses or compensation for investment advice and, as such, were inconsistent with NASD Rule 2430.

The firm sent a letter to clients notifying them of an increase to the fee that only provided clients with 11 days of advance written notification prior to the change of the fee. As reflected in Notice to Members 92-11, such notice was inadequate in that customers should be provided with written notification at least 30 days prior to the implementation or change of any service charge. Certain customers were subjected to increased fees without being provided with current fee schedules that notified them of the change. The firm has since reimbursed those customers for the differential between the prior fee and the increased fee. The findings also stated that the firm has never had a supervisory system in place to review the reasonableness of fees and has never performed a reasonableness test concerning the fee charged on an individual account basis. The revenue generated from the custody fee regularly accounted for a significant percentage of the firm's total revenue. In one year, the firm earned almost \$2.5 million from the fee. ([FINRA Case #2011026005801](#))

Barclays Capital, Inc. (CRD #19714, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$750,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly reported large conventional non-index option positions to the Large Options Position Reporting (LOPR) system as index options. The findings stated that the firm exceeded the applicable position limit in options for a combined total of 86 business days and failed to report its Options Contract Equivalent of the Net Delta (OCEND) position to The Options Clearing Corporation (OCC) in one symbol for 23 business days. The firm failed to report or submitted inaccurate reports to the LOPR system

numerous times, and failed to report positions to the LOPR system if the contra-parties were non-U.S. affiliates of U.S. broker-dealers. The firm failed to deconstruct and report to the LOPR system a structured product consisting of underlying positions for each side of the transaction, and failed to implement and maintain an adequate system of follow-up and review designed to reasonably achieve compliance with LOPR requirements and its adherence to applicable position reports. ([FINRA Case #2010023567201](#))

Centaurus Financial, Inc. (CRD #30833, Anaheim, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that five of its registered representatives (wholesale representatives) functioned as wholesalers for an unaffiliated investment management firm. The findings stated that although the firm contracted to provide exclusive authority and control over the direction and supervision of the representatives in connection with wholesaling five of the investment management firm's private placements, its WSPs did not address the supervision of wholesaling activities and the firm did not supervise the wholesale representatives' wholesaling activities. The findings also stated that the wholesale representatives did not use their firm emails for their wholesaling activities and, instead, typically used the investment management firm's email domain to send communications related to wholesaling the funds. The firm did not review or retain those emails. The representatives distributed communications related to the private placements and the investment management firm (including broker-use only materials) to other FINRA member firms. Several of the communications failed to adequately disclose investing risks and were misleading, while many made unwarranted performance claims and had other sales material content deficiencies. ([FINRA Case #2011026915002](#))

Deutsche Bank Securities Inc. (CRD #2525, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$110,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its trading center failed to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in national market system (NMS) stocks that do not fall within any applicable exception, and if relying on an exception, were reasonably designed to assure compliance with the terms of the exception. The firm failed to take reasonable steps to establish that intermarket sweep orders (ISOs) it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS. The findings stated that the firm failed to report to the Trade Reporting and Compliance Engine® (TRACE®) the correct contra-party's identifier for transactions in TRACE-eligible securities, failed to report to TRACE transactions in TRACE-eligible securities that it was required to report, and reported to TRACE transactions in TRACE-eligible securities that it was not required to report. The firm failed to report to TRACE S1 transactions in TRACE-eligible corporate debt securities it was required to report, failed to report to TRACE the correct contra-party's identifier for S1 transactions in TRACE-eligible corporate debt securities, failed to accurately report to TRACE the market

identifier for S1 transactions in a TRACE-eligible corporate debt security, and failed to submit a report to TRACE identifying the correct volume, price, execution date or execution time for S1 transactions in TRACE-eligible corporate debt securities. The findings also stated that the firm failed, within 30 seconds after execution, to transmit to the Over-the-Counter Reporting Facility (OTCRF) reports of transactions in over-the-counter (OTC) securities. The firm transmitted Reportable Order Events (ROEs) to the Order Audit Trail System (OATS™) that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair many of these rejected ROEs, and as a result, failed to transmit them to OATS. The firm effected transactions in securities while a trading halt was in effect with respect to each of the securities. ([FINRA Case #2010023765801](#))

E*Trade Clearing LLC (CRD #25025, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from short sales, and the firm did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by Securities and Exchange Commission (SEC) Rule 204(a)(1). The firm had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from long sales, and the firm did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a)(2). The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning Rule 204 of SEC Regulation SHO. ([FINRA Case #2010021576001](#))

Edward D. Jones & Co., L.P. (CRD #250, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$200,000, and required to pay \$51,581.25 in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it allowed its registered representatives to recommend nontraditional exchange-traded funds (ETFs) to customers without first conducting reasonable due diligence concerning those products. The findings stated that the firm did not train or adequately educate its brokers regarding nontraditional ETFs before permitting them to recommend nontraditional ETFs to customers. Firm registered representatives placed approximately 15,000 nontraditional ETF transactions, at a combined value of approximately \$164 million, in retail customers' accounts. Certain registered representatives of the firm recommended nontraditional ETFs to customers who had not indicated a desire to take aggressive risks with their accounts at the firm. Some of these customers held their nontraditional ETF positions for weeks or months at a time. Nontraditional ETFs are typically not suitable for retail investors who plan to hold them for more than one trading session, particularly in volatile markets. The findings also stated that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable NASD® or FINRA rules in connection with the sale of nontraditional ETFs. The firm failed to establish

and maintain an adequate supervisory system to monitor transactions in nontraditional ETFs involving its retail customers, and did not exercise due diligence in investigating nontraditional ETFs. The firm did not ensure that its brokers obtained adequate information and instruction regarding nontraditional ETFs before recommending those products to customers, and did not provide such information directly to brokers or require that they obtain it from other sources. The firm's supervisory system was also inadequate with respect to its oversight of nontraditional ETF transactions. The firm's general supervisory procedures did not require it to monitor either the length of time customers held open positions in nontraditional ETFs or the effect of long holding periods on those positions. ([FINRA Case #2010022283702](#))

GFI Securities LLC (CRD #19982, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report ROEs to OATS; transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order; transmitted Execution or Combined Order/Execution Reports to OATS that contained inaccurate, incomplete or improperly formatted data; transmitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data; and transmitted New Order Reports to OATS where OATS was unable to match the New Order Report to Route or Combined Order/Route Reports submitted by other member broker-dealers where the firm was named as the destination firm. ([FINRA Case #2011028587101](#))

Goldman Sachs Execution & Clearing, L.P. (CRD #3466, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$250,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that for short interest reporting cycles for approximately four years, the firm submitted to FINRA reports that did not include short interest positions of over 380 million shares. The firm submitted to FINRA and the New York Stock Exchange (NYSE) short interest position reports that were incorrect or failed to report short interest positions. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with NASD, NYSE and FINRA rules regarding short interest reporting. ([FINRA Case #2008014987401](#))

Hantz Financial Services, Inc. (CRD #46047, Southfield, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$75,000 and required to retain, within 60 days of the date of the Notice of Acceptance of the AWC, an independent consultant to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to properly enforce its WSPs for conducting due diligence with respect to a publicly

offered non-exchange-traded real estate investment trust (REIT) registered with the SEC, and failed to establish and maintain a reasonably designed supervisory system, including written procedures, for conducting ongoing due diligence of REITs. The findings stated that the firm entered into selling agreements to sell shares of a publicly offered, SEC-registered REIT made available through three offerings that it sold to its customers. Although the firm's WSPs required that a supervisory principal conducting due diligence of a REIT initial and date any prospectus or disclosure documents reviewed during that process, the firm failed to document such a review of the REIT. The firm maintained paper and electronic copies of the prospectus and the disclosure documents for the REIT, including annual reports, SEC filed 10Qs, 10Ks and 8Ks the issuer provided, but the documents did not bear any supervisory initials or dates to evidence that a supervisor conducted a review of the materials. The firm was unable to provide any documentary evidence that a supervisory review was conducted of the materials as its WSPs required, and failed to ensure that the supervisor conducting the review of the REIT initialed and dated the prospectus and disclosure documents for the REIT as its WSPs required. The findings also stated that the firm failed to establish and implement a formal process for conducting ongoing due diligence of REITs. The supervisory principal responsible for conducting ongoing due diligence utilized an informal system involving ad hoc reviews of the REITs' public filings, internal discussions and conference calls with REIT sponsors that sometimes included salespeople. ([FINRA Case #2012031655801](#))

Macquarie Capital (USA) Inc. (CRD #36368, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$9,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. Specifically, the firm failed to append the "Directed" Special Handling Instruction, failed to submit New Order and Order Route information, failed to submit Order Route information, failed to append the "Not-Held" Special Handling Instruction, failed to append the "Stop Stock" Special Handling Instruction and Stopped Stock information, and failed to submit route reports. The findings stated that the firm inaccurately indicated on customer confirmations that the transaction was executed at an average price, and failed to provide written notification to its customers that the transaction was executed at an average price. ([FINRA Case #2012031506801](#))

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its order memoranda for numerous transactions reflected only one order time. The firm maintains that the time stamp represented multiple orders (i.e., the order receipt, order entry and order execution times) because the decision to purchase the security, and the resultant execution, happened simultaneously or nearly simultaneously with one another. The findings stated that because the order memoranda did not clearly identify that the time stamp represented

multiple order events, FINRA determined that the firm failed to identify the order receipt, order entry and order execution times on brokerage order memoranda entered into its proprietary bond market order execution system to buy non-convertible preferred securities. ([FINRA Case #2008014584702](#))

MetLife Investors Distribution Company (CRD #107622, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it used an online portal and content host to offer product information, literature, Web tools and training over the Internet to registered representatives regarding variable insurance products its affiliated insurance companies issued. The findings stated that this online system included an email function that the firm's wholesalers used to send variable product pre-approved presentations and informational materials to registered representatives at other FINRA-member firms. The firm also used this system to send invitations to online and in-person product training sessions. The findings also stated that the firm's compliance department was not aware that the system had email capability and that its wholesalers were using it to distribute materials and links. As a result, the firm failed to retain, or incorporate into its surveillance systems for review, almost 10,000 unique emails sent through the system over a five-year period. The firm ceased using the email function when it discovered that the emails were not being reviewed or archived. Upon discovering that some registered representatives had used this email communications function, the firm directed the representatives to immediately stop using the system and then had the email functionality disabled while it addressed the issue. The firm was able to recover each email that had been sent through the system but was not able to recover all of the attachments to the emails. ([FINRA Case #2012031929201](#))

National Bank of Canada Financial Inc. (CRD #22698, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, on numerous occasions, it failed to report to the OTCRF the correct related market center code. ([FINRA Case #2013035518801](#))

National Securities Corporation (CRD #7569, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$23,500 and required to revise its WSPs regarding order handling, trade reporting and OATS. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly reported the capacity of agency transactions to the FINRA/NASDAQ Trade Reporting Facility® (FNTRF) as principal, incorrectly reported the capacity of agency transactions to the FNTRF as riskless, and incorrectly reported an agency clearing trade to the FNTRF as riskless. The findings stated that the firm transmitted reports to OATS that contained inaccurate capacity codes and an inaccurate time. The firm failed to provide written notification disclosing to its customers its correct capacity in transactions.

The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA or SEC rules addressing order handling, trade reporting and OATS. ([FINRA Case #2011026111001](#))

OFS Securities, Inc. nka Oriental Financial Services Corp. (CRD #29753, San Juan, Puerto Rico) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$40,569.65 and ordered to pay \$13,277.86, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it purchased municipal securities for its own account from customers and/or sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. The findings stated that the firm failed to enforce its WSPs with respect to fair pricing of municipal securities transactions with customers. The firm's WSPs provided that it was the firm's policy not to permit a markup, markdown or commission in excess of 3 percent. ([FINRA Case #2011028510501](#))

RBS Securities Inc. (CRD #11707, Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$475,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm failed to make accurate net capital and customer reserve computations, comply with the possession or control requirements of the customer protection rule, comply with the requirements of Regulation SHO of the Securities Exchange Act of 1934, maintain accurate books and records, and establish and maintain reasonable supervisory systems and procedures. With respect to the customer reserve formula, the findings stated that the firm's security position allocation system for its fixed income business ensured that all customer receipt versus payment/delivery versus payment (RVP/DVP) fails were included in the customer reserve formula computation, but incorrectly represented the underlying security positions. As a result of the incorrect allocations, the firm's transactions were incorrectly represented in the reserve formula computation, and the securities positions on the firm's stock record did not always match the quantities in the firm's allocation system. The firm did not include in its customer reserve formula on a certain date a \$421,558 credit for the excess in the aggregate value of securities borrowed through an agent lender over the collateral provided by that lender. With respect to possession or control, the findings also stated that the firm did not have an adequate process to identify customers that had accounts on its two back office platforms and to issue segregation instructions for customer positions accordingly. In addition, the firm's excess margin and deficit position listings could have been inaccurate because they

did not consider the customer positions on both platforms. The firm maintained customer positions in the account of one of the firm's foreign affiliates, but was unable to provide evidence that the SEC had approved the affiliate account as a good control location. The firm failed to segregate two customer positions in the affiliate account as of a certain date, although it was required to do so. With regard to its net capital computation, the firm failed to take net capital charges related to variable non-convertible debt securities and repurchase and reverse repurchase transactions or improperly treated these transactions for net capital purposes, resulting in miscalculations of required net capital. These miscalculations reduced the firm's excess net capital, but did not result in a deficiency. In addition, the firm failed to prepare an accurate reconciliation of its intercompany accounts on a consolidated regional basis as opposed to a broker-dealer level, which could have impacted the net capital charges the firm was required to take.

The findings also included that the firm did not comply with the requirements of Regulation SHO by failing to properly mark sell orders in a customer account as long or short due to the improper use of the aggregation unit order marking method and obtain and document required locates prior to accepting or effecting short sales. With respect to margin requirements, the firm loaned securities directly to a foreign affiliate account and reflected the borrowed shares as a long position in the account. In instances where the borrowed shares were used to cover a short sale transaction, the firm's margin system incorrectly treated the account as if it was short versus the box. By doing so, the firm failed to accurately calculate the initial margin requirement of 50 percent and applied only a 5 percent maintenance margin requirement on the offsetting long and short positions. FINRA found that the firm failed to maintain accurate books and records in that it failed to make the required notations and disclosures in connection with a securities loan transaction, and keep required books and records in connection with its fixed income business. In addition, the firm failed to record on its stock record to be announced (TBA) transactions that had passed settlement date, maintained a stock record that was inconsistent with its allocation system, and failed to accurately record the customer positions of the affiliate account. Finally, the firm failed to establish and maintain an adequate system to supervise, and written procedures related to, the computation of its customer reserve and net capital calculations, compliance with books and records requirements, and the order marking, locate, close out of fails to deliver and penalty box requirements of Regulation SHO. ([FINRA Case #2011027246701](#))

Sanford C. Bernstein & Co., LLC (CRD # 104474, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$8,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sent an ISO that failed to satisfy the requirements of Rule 600(b) (30) of Regulation NMS, in that the firm failed to take out protected, better-priced liquidity on other markets, resulting in a trade through of such better-priced protected quotations at other Regulation NMS-protected venues. The findings stated that the firm failed to take reasonable steps to establish that, simultaneously with the routing of ISOs, one or more

additional ISOs, as necessary, are routed to execute against the full displayed size of any protected bid or offer for the NMS stock with a price superior to the limit price of the limit order identified as an ISO. ([FINRA Case #2012032943901](#))

SG Americas Securities, LLC (CRD # 128351, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the described sanction and to the entry of findings that it effected transactions in securities while a trading halt was in effect with respect to each of the securities. ([FINRA Case #2011029287401](#))

UBS Securities LLC (CRD #7654, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the contra party to the LOPR for approximately 40 percent of the firm's reported OTC options positions. The findings stated that the firm reported an incorrect account type designation of "firm" instead of "customer" for 813 OTC LOPR records, and the firm failed to report 56 OTC positions to the LOPR where the issuer had been the purchaser of the security. The findings also stated that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with rules governing the reporting of large options positions. ([FINRA Case #2009020988101](#))

VectorGlobal WMG, Inc. (CRD #32396, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$125,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it maintained an AML manual and WSPs manual relevant to its AML program, but failed to account for the risks posed by its foreign-based clientele who facilitated trades in low-priced securities through potentially manipulative trading activities. The findings stated that the documents focused on issues related to account openings, reporting of suspicious activity, enhanced due diligence requirements for certain types of accounts, and training. Neither the AML manual nor the WSPs identified securities transaction-based reviews as part of the AML program, and they failed to identify red flags of potentially suspicious trading activity and did not address how such suspicious trading activity would be mitigated through the firm's suspicious activity monitoring program. The firm failed to ensure that it had established and implemented policies and procedures reasonably expected to detect and cause the filing and reporting of suspicious activity transactions.

The findings also stated that the firm did not conduct the required due diligence regarding a correspondent account it maintained for a Swiss bank. The firm failed to document information related to its obligations to conduct due diligence on correspondent accounts for foreign financial institutions. The findings also included that the firm failed to preserve Bloomberg chats certain of its employees sent and received. Firm employees communicated

with clients and traders via Bloomberg chats, and a broker that executed transactions that raised red flags communicated frequently with clients and traders through Bloomberg chats. The firm is unable to provide FINRA with copies of these chats and did not retain all electronic communications relating to its business as the rules require. ([FINRA Case #2011029215701](#))

Individuals Barred or Suspended

Keith Craig Baron (CRD #3231494, Registered Representative, Merrick, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Baron consented to the described sanctions and to the entry of findings that he failed to amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to timely disclose a lawsuit against him and made a material misrepresentation of fact to his member firm. The findings stated that Baron completed a firm compliance questionnaire acknowledging that he understood and had complied with the requirement that he update his Form U4, which was not true. More than 18 months after Baron had been served in the lawsuit and more than 17 months after the required disclosure date, Baron filed an amended Form U4 disclosing that he had been named as a defendant in the lawsuit. The lawsuit was filed in New York State Supreme Court for Nassau County alleging misconduct involving several related corporations, including fraud, misrepresentations, and theft of corporate assets and investor funds.

The suspension is in effect from February 3, 2014, through April 2, 2014. ([FINRA Case #2011029207301](#))

Stephanie Ann Becker (CRD #4363085, Registered Representative, Whipple, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Becker consented to the described sanction and to the entry of findings that she converted a total of \$14,100 in funds from the accounts of customers of her member firm's affiliate bank without their knowledge or consent. The findings stated that Becker completed a withdrawal ticket against each client's credit lines and submitted the documents to a bank teller. At Becker's direction, the teller transferred the funds from the clients' bank accounts to the bank account of Becker's friend. Subsequently, Becker requested cashier's checks totaling \$14,100 from her friend's bank account made payable to her. Becker then cashed the checks and used the proceeds for her personal use and benefit. ([FINRA Case #2013036408901](#))

Edward Shea Brokaw (CRD #1162997, Registered Principal, Darien, Connecticut) was suspended from association with any FINRA member in any capacity for one year and fined \$30,000. The SEC sustained the sanctions following appeal of a National Adjudicatory Council (NAC) decision. The sanctions were based on findings that Brokaw engaged

in conduct inconsistent with just and equitable principles of trade by engaging in a manipulative scheme, and caused his member firm's books and records to be inaccurate. Brokaw acted in bad faith and, according to the SEC decision, "was actively engaged in a scheme to manipulate [a] stock price." In addition to helping a friend who was one of Brokaw's largest and most important clients, Brokaw stood to personally gain \$48,000, and his family stood to gain an additional \$10,000. The SEC noted that "Brokaw pushed traders to aggressively sell stock at the open and close of the market over several trading days, which could cause a long-term, aggregate impact on [the stock's] VWAP," or Volume Weighted Average Price. Moreover, Brokaw "pushed the firm's traders to 'hammer' the stock" and described the trades as a battle of "good versus evil." The findings also stated that Brokaw caused his member firm's books and records to be inaccurate when he failed to create accurate order tickets as required, and substituted misleading booking tickets.

The suspension is in effect from January 21, 2014, through January 20, 2015. ([FINRA Case #2007007792902](#))

Scott Armstrong Brooks (CRD #2745491, Registered Representative, Florence, Kentucky) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 40 days. Without admitting or denying the findings, Brooks consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose unsatisfied federal tax liens.

The suspension is in effect from February 18, 2014, through March 29, 2014. ([FINRA Case #2012033368401](#))

Peter Bruno (CRD #1180960, Registered Principal, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$20,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Bruno's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bruno consented to the described sanctions and to the entry of findings that he marketed his investment services through various media, including investment-themed newsletters and sales brochures. The findings stated that without further clarifying information concerning the referenced investment strategies and management methods, the sales literature did not provide prospective investors a sound basis for evaluating the facts concerning the services discussed. Bruno recommended investments that were unsuitable to his 69-year-old customer, who planned to use his investment for income beginning in the next year to year-and-a-half. Bruno used the customer's funds to purchase shares in a bond fund that was inconsistent with the customer's conservative risk tolerance and objective to preserve capital. The customer faxed a letter to Bruno with instructions to discontinue trades using the remaining cash portion of his account, and the next day, the customer spoke with

Bruno, confirming his instructions to discontinue trades in the account. Bruno used the customer's funds to purchase shares of a similar bond fund, which was unauthorized since it was contrary to the customer's instructions to cease trades in the account. The bond funds lost value and the customer instructed Bruno to liquidate the fund positions for a total loss of \$24,142. The findings also stated that the customer filed an arbitration claim against Bruno related to these unsuitable and unauthorized trades. The customer and Bruno executed a settlement agreement that contained a confidentiality provision stating, in part, that the customer shall not disclose or discuss the facts and documents underlying his claims. This provision had the effect of impeding FINRA's investigation of the foregoing conduct.

The suspension is in effect from January 21, 2014, through April 20, 2014. ([FINRA Case #2012031224101](#))

Elizabeth Jane Canjar (CRD #5191483, Associated Person, Alderson, West Virginia) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Canjar used a stolen password and username to cause wires totaling \$96 million to be sent from a proprietary account of her member firm to her accounts at an outside broker-dealer. In each case, Canjar logged into the wire transfer system as herself and approved the wire transfers she had fraudulently initiated using a subordinate's name. The findings stated that Canjar also directed a subordinate to send an outgoing wire for \$460,000 from her firm to a law firm she had retained to handle the purchase of a condominium. Canjar told the subordinate the wire was for legal fees related to a pending firm investment banking transaction and showed the subordinate a fake email she created that purported to be the approval of the expenditure by a senior firm investment banking employee. Canjar thereafter logged herself in and approved the transfer of funds to her attorney. Additionally, Canjar changed the payee of third-party checks received for investment banking transactions from the firm to her name, and attempted to deposit the checks in her own accounts, thereby converting approximately \$41,000. The findings also stated that Canjar failed to appear and testify at FINRA on-the-record interviews. ([FINRA Case #2011029074301](#))

Maximiliano Andres Contador (CRD #4848825, Foreign Associate, Santiago, Chile) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Contador consented to the described sanctions and to the entry of findings that prior to his departure from a member firm, he transmitted non-public personal information relative to firm customers to his personal email address. The information consisted of customers' and prospects' demographic and financial information, account documents and client position and balance information. The findings stated that Contador placed the customers' information at risk and caused the firm to violate Regulation S-P of the Securities Exchange Act of 1934.

The suspension was in effect from February 3, 2014, through February 7, 2014. ([FINRA Case #2012032781601](#))

Robert Thomas Conway (CRD #2329507, Registered Representative, East Islip, New York) and Kakit Ng (CRD #2677132, Registered Representative, Bronx, New York). Conway was fined a total of \$100,000 and suspended from association with any FINRA member in any capacity for a total of 18 months. Ng was fined a total of \$20,000 and suspended from association with any FINRA member in any capacity for a total of nine months. The SEC sustained the sanctions following an appeal of a NAC decision. The sanctions were based on findings that Conway and Ng late-traded mutual fund shares after the close of the market and as if the instructions had been received prior to the time mutual fund shares were valued. The findings stated that Conway and Ng actively assisted customers who were known to be market timers to trade, or attempt to trade, mutual funds in a deceitful manner and contrary to mutual fund market-timing provisions and prohibitions. Despite knowing of stop notices, Conway and Ng recklessly or intentionally perpetuated their clients' market timing by creating multiple accounts under different names for the same clients, and by using different branch office and registered representative codes to conceal the trading and avoid detection by the mutual funds. Conway, with Ng's assistance, permitted hedge funds to use these multiple accounts to evade market-timing restrictions mutual fund companies placed upon them. These deceptive practices enabled Conway, Ng and their clients to circumvent market-timing restrictions and caused mutual funds to process transactions they otherwise would have rejected.

Conway's suspension is in effect from January 21, 2014, through July 20, 2015. Ng's suspension is in effect from January 21, 2014, through October 20, 2014. ([FINRA Case #E102003025201](#))

Denny P. Darmodihardjo (CRD #2589997, Registered Supervisor, Roswell, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Darmodihardjo consented to the described sanctions and to the entry of findings that he failed to timely disclose on his Form U4 the material fact that he had an outstanding federal tax lien.

The suspension is in effect from February 18, 2014, through March 17, 2014. ([FINRA Case #2013037857601](#))

Dale Wesley Davenport (CRD #1283989, Registered Representative, Stuart, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Davenport consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U4 to report a tax lien filed against his home, and willfully failed to timely amend his Form U4 to report another tax lien filed against his home. The findings stated that Davenport paid an

individual who has never been registered with a member firm for the referral of a customer based on commissions generated from transactions in the customer's account. Davenport paid a total of \$63,402 to a company that the individual owned for transactions that occurred in the customer's account.

The suspension is in effect from February 3, 2014, through August 2, 2014. ([FINRA Case #2011027039801](#))

Gregory Philip Day (CRD #5255105, Registered Principal, Duxbury, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Day consented to the described sanction and to the entry of findings that he opened an account he controlled at an outside third-party bank in the name of his member firm without disclosing the bank account to the firm. The findings stated that Day misappropriated firm funds by making unauthorized fund transfers totaling at least \$309,000 from a firm bank account to the outside third-party bank account. Day falsified documents and invoices that he submitted to the firm for payment in order to effect the transfers. Additionally, Day misappropriated firm funds by causing a \$50,000 receivable for the firm, related to a firm transaction, to be wired directly to the outside third-party bank account. Day controlled the outside third-party bank account and used the firm funds that were transferred to it for his personal use. The findings also stated that when the firm questioned Day about the misappropriations involving fund transfers and a wire, he made false statements to the firm and submitted additional falsified documents to the firm. Day misappropriated these funds from his firm and not from firm clients. ([FINRA Case #2012034630801](#))

Margarita Camero DeLeon-McWhorter (CRD #3267493, Registered Principal, Holmdel, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$7,500 and suspended from association with any FINRA member in any principal capacity for two years. The fine must be paid either immediately upon DeLeon-McWhorter's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, DeLeon-McWhorter consented to the described sanctions and to the entry of findings that on a monthly basis, DeLeon-McWhorter was required to complete a checklist electronically certifying that she had completed each of the supervisory tasks delegated to her. The findings stated that for more than a year, DeLeon-McWhorter attested on the firm's systems that she completed several hundred supervisory tasks assigned to her, when in fact she did not complete those tasks. DeLeon-McWhorter's failure to complete the supervisory tasks assigned to her and then inaccurately stating that she had completed those tasks was a failure to reasonably supervise those areas of the firm's securities business for which she maintained supervisory responsibility. The findings also stated that by inaccurately certifying that she had completed supervisory tasks when she had not done so, DeLeon-McWhorter caused her firm to maintain inaccurate books and records in violation of FINRA rules.

The suspension is in effect from January 21, 2014, through January 20, 2016. ([FINRA Case #2012032022401](#))

Owen Finnel Dudley Jr. (CRD #2661565, Registered Representative, Naples, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Dudley consented to the described sanctions and to the entry of findings that he effected discretionary transactions in customer accounts without obtaining the customers' prior written authorization and without his member firm's acceptance of the accounts as discretionary.

The suspension was in effect from February 3, 2014, through February 24, 2014. ([FINRA Case #2012031393301](#))

Brian James Eslinger (CRD #5889918, Registered Representative, Cadott, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Eslinger's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Eslinger consented to the described sanctions and to the entry of findings that he cheated on a life underwriter training council (LUTC) examination by allowing the moderator of the course to take the examination on his behalf, and made a false attestation on the proctor affirmation that he completed the examination independently. The findings stated that this statement was false because the moderator—not Eslinger—had taken the examination. Eslinger received insurance continuing education credits for Wisconsin for this LUTC course.

The suspension is in effect from January 21, 2014, through March 20, 2014. ([FINRA Case #2013035893601](#))

Christopher Michael Fierro (CRD #4214966, Registered Representative, Buckeye, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid either immediately upon Fierro's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Fierro consented to the described sanctions and to the entry of findings that he failed to timely process a customer's request to withdraw funds from his variable annuity. The findings stated that in an attempt to expedite the process, Fierro cut and pasted the customer's signature onto the withdrawal form and then submitted the form to the issuing insurance carrier. Fierro temporarily changed the customer's address on file with the issuing insurance carrier in an attempt to conceal from the customer the length of time that it took Fierro to submit the withdrawal request.

The suspension was in effect from January 21, 2014, through March 6, 2014. ([FINRA Case #2013035581001](#))

Magnolia Umangil Gaerlan (CRD #2786243, Registered Representative, El Segundo, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Gaerlan's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gaerlan consented to the described sanctions and to the entry of findings that she effected wire transfers for \$250,000 and \$15,000 from the account of one of her firm's customers to unrelated third-party accounts. The findings stated that Gaerlan processed the wires at the direction of a broker after he received a series of fraudulent emails a hacker sent from the customer's personal email account requesting the transfers. Gaerlan did not speak to the customer prior to processing the wire transfers, but believed that the broker had spoken to the customer. Gaerlan, contrary to her firm's policies and procedures, falsely stated on firm documents that she had spoken to the customer regarding the wire transfer and confirmed the wire transfer instructions. The firm subsequently processed the wire transfers based on Gaerlan's misrepresentations. The findings also stated that by making false statements on firm documents, Gaerlan caused her firm to maintain false books and records.

The suspension was in effect from January 21, 2014, through February 20, 2014. ([FINRA Case #2013036717601](#))

Daniel Joseph Gambino (CRD #2482754, Registered Principal, Babylon, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Gambino's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gambino consented to the described sanctions and to the entry of findings that while registered with two firms, he failed to timely disclose on his Form U4 the material fact that he filed for bankruptcy.

The suspension was in effect from February 3, 2014, through March 2, 2014. ([FINRA Case #2013037423801](#))

James Michael Glenn Jr. (CRD #1533821, Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Glenn consented to the described sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose judgments against him.

The suspension is in effect from February 3, 2014, through May 2, 2014. ([FINRA Case #2013035857701](#))

Ariel Luis Hernandez (CRD #2684424, Registered Principal, Pembroke Pines, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hernandez consented to the described sanction and to the entry of findings that he did not comply with FINRA's requests for documents, information and/or testimony. The findings stated that FINRA began an investigation into matters alleged in a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by Hernandez's member firm that Hernandez wired money from a client's fee-based brokerage account to a bank without the client's knowledge or permissions, and disclosed a pending customer dispute concerning the same allegations, indicating the alleged compensatory damages were \$158,000. ([FINRA Case #2013039262201](#))

Daniel Padgett Johnson (CRD #5416012, Registered Representative, Mount Dora, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Johnson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Johnson consented to the described sanctions and to the entry of findings that he engaged in outside business activities without providing written notice to his firms. The findings stated that prior to entering the securities industry, Johnson established a management consulting company, had a 50 percent ownership interest in the company and acted as its owner-manager. Through the company, Johnson served as an independent contractor for several companies, and received a finder's fee from companies when he successfully introduced potential investors to community members seeking financing for various projects. When Johnson first entered the securities industry, he disclosed to his then-member firm his previous compensation and residual commissions he received through the consulting company. However, when Johnson secured employment with his next firm, he did not disclose, in writing or otherwise, his outside business activity with the company.

Furthermore, approximately one month after Johnson began working at the firm, Johnson established a company through which he performed insurance and business consulting as its Chief Executive Officer (CEO) and did not disclose to the firm, in writing or otherwise, his involvement with this company. When Johnson secured employment with another member firm, he failed to provide prompt written notice that he continued to serve as the company's owner-manager. On or about the time Johnson became employed with this firm, he ceased doing business through the insurance and business consulting company, which he reported to the firm. Johnson eventually disclosed his management consulting company as an outside business activity to the firm. Following a prompt investigation, the

firm terminated Johnson's employment for failing to promptly disclose his company as an outside business activity.

The suspension was in effect from December 16, 2013, through January 14, 2014. ([FINRA Case #2012033721901](#))

Jack Richard Kelly (CRD #1994768, Registered Principal, Millington, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kelly consented to the described sanction and to the entry of findings that he converted a total of \$85,000 from customers. The findings stated that a customer gave Kelly checks for a total of \$40,000 to be invested in a fund that Kelly had represented would provide 7 percent interest. The \$40,000 in funds had been liquidated from a trust account held at Kelly's member firm that was intended to provide for the customer's disabled sister. Rather than investing the \$40,000 in the purported high-yield investment, Kelly converted the funds to his personal use. The findings also stated that an elderly customer gave Kelly a total of \$45,000 to be invested in a fund that Kelly had represented would provide 7 percent interest. Rather than investing the \$45,000 from the customer as promised, Kelly again converted the funds to his personal use. ([FINRA Case #2013037708301](#))

Michelle Lee Kern (CRD #4528809, Registered Representative, Sacramento, California) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kern consented to the described sanction and to the entry of findings that she unlawfully converted to her own use approximately \$569,000 from customers' brokerage accounts through unauthorized electronic withdrawals and used the funds to pay her personal credit card bills. The findings stated that Kern also unlawfully converted approximately \$100,000 from customers by using their checkbooks to write unauthorized checks to herself, and then used the funds to pay her personal credit card bills. Some of the customers were elderly. Kern accepted the checkbooks from the customers to destroy, and instead of destroying them, she forged their signatures and wrote personal checks to herself for approximately \$100,000, and then deposited the funds into her personal checking account. Kern forged the customer signatures to create the false impression that the customers had authorized the deposit of checks into her personal checking account. ([FINRA Case #2013035458501](#))

Michael Charles Koletar (CRD #1613907, Registered Representative, Portland, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Koletar consented to the described sanctions and to the entry of findings that he exercised discretion without written authorization by effecting transactions in customers' accounts without obtaining the customers' prior written authorization, and without his member firm's acceptance of the accounts as

discretionary. The findings stated that the firm allowed use of discretion only in managed accounts and certain family brokerage accounts with prior written approval. Neither circumstance was present here.

The suspension is in effect from February 18, 2014, through March 31, 2014. ([FINRA Case #2012034007201](#))

Raymond Harry Kraftson (CRD #4476645, Registered Principal, Villanova, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Kraftson consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 to disclose material information regarding a total of nine tax liens filed by the Internal Revenue Service (IRS), State of Pennsylvania and a local county in Pennsylvania. The findings stated that the tax liens totaled \$531,082.74 and remain unsatisfied. Kraftson's Form U4 was belatedly amended to disclose one lien and later amended again to disclose the remaining eight liens.

The suspension is in effect from February 3, 2014, through May 2, 2014. ([FINRA Case #2012030599002](#))

John Derek Lane (CRD #301717, Registered Principal, Fairfield, Connecticut) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 20 business days. Without admitting or denying the allegations, Lane consented to the described sanctions and to the entry of findings that he permitted an associated person of his member firm to offer and sell private placement investments to investors in transactions prior to the associated person's registration with FINRA becoming effective. The findings stated that Lane was aware of both the associated person's private placement sales and the fact that his registration had not yet become effective, but despite this knowledge, permitted the associate person to offer and sell securities for approximately 10 weeks without registration.

The suspension was in effect from February 3, 2014, through March 3, 2014. ([FINRA Case #2011025437302](#))

Jeffrey Griffin Lane (CRD #1663977, Registered Principal, Darien, Connecticut) and Robert Marcus Lane Jr. (CRD #1411773, Registered Principal, North Palm Beach, Florida). Jeffrey Lane was fined \$25,000, barred from association with any FINRA member in any principal or supervisory capacity, and suspended from association with any FINRA member in any capacity for two years. Marcus Lane was barred from association with any FINRA member in any capacity and ordered to pay a total of \$218,581, plus prejudgment interest, in disgorgement to customers. The NAC imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Marcus Lane engaged in an improper interpositioning scheme, and charged customers unfair prices and excessive markups. The findings stated that Marcus Lane willfully failed to disclose

the excessive markups. The findings also stated that Jeffrey Lane prepared deficient WSPs regarding interpositioning or any procedures concerning how to monitor for excessive markups. Jeffrey Lane was responsible for supervising Marcus Lane's activities and failed to question the aggregate markup charged to customers. Despite the presence of red flags, Jeffrey Lane did not respond in a reasonable manner. Jeffrey Lane failed reasonably to supervise to prevent violations of Section 10(b) of the Securities Exchange Act of 1934 and rules thereunder. The findings also included that Jeffrey Lane and Marcus Lane failed to timely respond to FINRA requests for information.

The decision has been appealed to the SEC and the sanctions, except for the bars, are not in effect pending review. ([FINRA Case #2007008204901](#))

Wade James Lawrence (CRD #4512225, Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lawrence consented to the described sanction and to the entry of findings that he failed to appear for FINRA-requested on-the-record testimony. The findings stated that FINRA received a regulatory tip alleging that Lawrence misappropriated customer funds. During the course of FINRA's investigation into the regulatory tip, FINRA requested that Lawrence appear and provide on-the-record testimony. Counsel for Lawrence informed FINRA that he would not appear and provide on-the-record testimony. ([FINRA Case #2013039289901](#))

Lawrence Y. Lee (CRD #2612348, Registered Representative, Chicago, Illinois) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lee willfully failed to update his Form U4 to disclose that he had been charged with seven felonies and convicted of a felony. The findings stated that the information on Lee's criminal history was material, and was especially important to the employers and FINRA because during the early years of Lee's association with member firms, he was statutorily disqualified. The findings also stated that Lee failed to appear and testify at an on-the-record interview as FINRA had requested. ([FINRA Case #2008012458101](#))

David Matthew Lisnek (CRD #2624952, Registered Representative, Springfield, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lisnek consented to the described sanction and to the entry of findings that he failed to produce FINRA-requested information with respect to its investigation. The findings stated that during the course of an investigation into allegations that Lisnek converted customer funds, brokered a transaction between customers without his member firm's knowledge and failed to disclose federal tax liens, FINRA requested that he provide a written statement. Lisnek, via electronic mail, provided a partial response to FINRA's request. After a second request for Lisnek to provide a complete response as to all of the allegations, he failed to respond. ([FINRA Case #2013039053601](#))

Jose Lopez (CRD #3223077, Registered Principal, Bronx, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lopez failed to appear and testify at a FINRA on-the-record interview regarding allegations that he forged customer signatures on insurance reinstatement applications. ([FINRA Case #2011029619801](#))

John Elwood Lucas (CRD #313853, Registered Representative, San Diego, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Lucas consented to the described sanctions and to the entry of findings that he exercised discretion in a customer's account without obtaining the customer's prior written authorization and without his member firm's written acceptance of the account as discretionary. The findings stated that Lucas had an oral agreement with the customer that he would liquidate securities in the customer's brokerage account in an amount sufficient to send \$4,000 per month via automatic clearing house (ACH) to the customer's individual bank account to pay for care as her health declined. Lucas executed sales transactions in accordance with their agreement, but even though he spoke with the customer before he executed the transactions, they were not executed until later dates; and on some occasions, he executed transactions without speaking to the customer. The findings also stated that Lucas was subsequently contacted by the customer's caregiver, who instructed him to increase the monthly distributions to approximately \$10,000 to compensate for increased costs of the customer's care. Lucas increased the amount of securities he sold each month and caused the transfer of approximately \$10,000 each month to the customer's bank account. Lucas did not receive either the customer's oral or written third-party authorization to accept the caregiver's account instructions, nor did he discuss with the customer the transactions he executed in her account after speaking to the caregiver. Lucas accepted and acted upon instructions from a person without authority to direct account activity, and exercised discretion when he executed transactions to comply with the caregiver's instructions without oral or written authorization.

The suspension is in effect from February 18, 2014, through May 17, 2014. ([FINRA Case #2013036890201](#))

Karen Ann Mendez (CRD #4503290, Registered Representative, Encinitas, California) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mendez consented to the described sanction and to the entry of findings that she had an oral understanding and practice with her member firm whereby the firm and Mendez shared equally in certain advertising and marketing costs, subject to the firm's approval. The findings stated that pursuant to the oral understanding and practice, Mendez was to place advertising in local radio and print media and engage in marketing activities, subject to the firm's approval. Mendez sought reimbursement for fictitious

expenses in the approximate amount of \$8,218.86, of which the firm paid approximately \$6,022.50. To obtain the excess reimbursements, Mendez submitted inaccurate requests for reimbursement and false supporting documents that she created or altered. As a result of submitting falsified requests for reimbursement and supporting documentation on expense reports, and accepting payment from the firm, Mendez wrongly misappropriated approximately \$6,022.50 from the firm for her own uses and benefit. The findings also stated that in connection with the misappropriation, Mendez submitted expense reports with supporting documentation that contained entries that purported to reflect legitimate and eligible business expenses when they were, in fact, inaccurate and otherwise fabricated expenses, and falsified bank and credit card payment records. Thus, Mendez created inaccurate books and records, which the firm maintained in contravention of Securities Exchange Act of 1934 Rule 17a-3. ([FINRA Case #2012033843101](#))

David Francis Mickelson (CRD #2187596, Registered Representative, Oceanside, California) submitted an Offer of Settlement in which he was fined \$125,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Mickelson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Mickelson consented to the described sanctions and to the entry of findings that he participated in private securities transactions outside the scope of his association with his firm without providing the firm prior written notice of the proposed transactions, his proposed role in them or the selling compensation he may receive from the transactions. Mickelson also did not receive his firm's requisite approval to participate in the transactions. The findings stated that on firm annual certification and acknowledgement questionnaires Mickelson submitted, he incorrectly stated that he had not engaged in private securities transactions away from the firm without the compliance department's prior written approval, and failed to disclose all of his outside business activities. Mickelson failed to disclose to his firm brokerage accounts at other broker-dealers that he, a fund he managed, or members of his immediate family owned or over which they exercised control; and in one of these accounts, that he improperly purchased shares in an initial public offering. Mickelson also did not disclose his affiliation with his firm to the broker-dealers at which the accounts were held. Mickelson's firm's WSPs required that a registered representative formally disclose to the firm's compliance department any business activity outside the scope of his employment with the firm and receive a written acknowledgement of the activity before commencing the activity, and required that an associated person must disclose to the firm's compliance department and the executing firm that the associated person or member of his immediate family intends to open an account away from the firm before opening the account.

The findings also stated that Mickelson maintained websites that he had not disclosed to his firm and that were not reviewed and approved by a registered principal of the firm prior to use, as required by the firm's WSPs. Mickelson sent and received securities-

related emails using several email accounts that his firm had not approved. The firm had approved Mickelson's use of email at a particular domain for his registered investment adviser business, with the instruction that all securities-related correspondence would go through his firm email account. Mickelson did not routinely forward to the firm any of the securities-related emails sent or received using his email accounts. By using email accounts to exchange securities-related emails and failing to either forward the communications to his firm or otherwise maintain the communications in a format that complied with SEC Rule 17a-4(f), Mickelson prevented his firm from accessing the communications and complying with its obligations to review correspondence between registered representative and their customers and its recordkeeping requirements.

The suspension is in effect from January 21, 2014, through July 20, 2015. ([FINRA Case #2011027481901](#))

Sean Wesley Mollard (CRD #4691416, Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Mollard's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mollard consented to the described sanctions and to the entry of findings that he failed to timely respond to FINRA requests for information and documents. It was not until FINRA issued a Notice of Suspension to Mollard that he responded to the requests.

The suspension is in effect from January 21, 2014, through July 20, 2014. ([FINRA Case #2012034500102](#))

Joshua Daniel Mosshart (CRD #3174050, Registered Principal, Malibu, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mosshart consented to the described sanction and to the entry of findings that he sought his member firm's permission to be a sales representative for a company involved in selling manufacturing machines for building panels. The findings stated that although the firm approved this outside business activity, it specifically advised Mosshart that he was not to solicit any individuals to invest in the company and required him to inform the firm about any material changes to his role with the company. However, Mosshart referred about 20 investors, some of whom were the firm's customers, to the company, who in turn, invested nearly \$5 million in the company. Mosshart received roughly \$485,000 in referral fees. Mosshart also served as the company's president. Mosshart never provided prompt and accurate written notice to the firm that he was referring investors to the company, receiving fees for those referrals and serving as the company's president, and he failed to receive the firm's written approval to engage in those private securities transactions. ([FINRA Case #2012035172301](#))

Hugh Vincent Murray III (CRD #826261, Registered Principal, St. Louis, Missouri) was suspended from association with any FINRA member in any supervisory capacity for 90 days and ordered to requalify by examination as a principal. The NAC imposed the sanctions following an appeal of an OHO decision. The sanctions were based on findings that Murray failed to supervise two of his member firm's registered representatives by failing to timely update Forms U4 to disclose their felony charges and a felony conviction. The findings stated that Murray's failure to report the conviction resulted in a statutorily disqualified individual remaining associated with the firm.

The suspension is in effect from February 18, 2014, through May 18, 2014. ([FINRA Case #2008016437801](#))

Marylin T. Myers (CRD #1620382, Registered Principal, Bayview, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$20,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Myers' reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Myers consented to the described sanctions and to the entry of findings that she participated in the sale of a privately held company's promissory notes to investors, and invested \$16,000 in the promissory notes, without notifying her firm or obtaining the firm's written approval. The findings stated that Myers recommended that investors who were not the firm's customers invest in the company's notes and helped facilitate their purchases. Collectively, the investors and Myers invested more than \$1,000,000 in the notes, which were private securities transactions and conducted away from the firm. To date, the company has failed to repay the principal and interest due to the investors and Myers. The findings also stated that on the firm's annual compliance questionnaires, Myers inaccurately stated that she had not engaged in any private securities transactions and inaccurately stated that she had not engaged in soliciting, referring, or recommending any private placements or private securities products.

The suspension is in effect from January 21, 2014, through January 20, 2016. ([FINRA Case #2012032637901](#))

Emidio Lorenzo Natale (CRD #2183886, Registered Representative, Watertown, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Natale's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Natale consented to the described sanctions and to the entry of findings that he engaged in an undisclosed outside business activity wherein he and another firm representative referred a customer to another agent, who sold that

customer a non-firm insurance policy. Natale, pursuant to an agreement with that agent, received \$94,949.16, which represented a share of the commissions the policy generated. The findings stated that this activity was not disclosed to his firm. Natale, in his annual certification statement, falsely certified to the firm that his outside business disclosure statement, which did not disclose any outside business activities, was current and complete.

The suspension was in effect from January 21, 2014, through February 20, 2014. ([FINRA Case #2013035441801](#))

Philip Natale (CRD #1074697, Registered Representative, Sharon, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Natale's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Natale consented to the described sanctions and to the entry of findings that he engaged in an undisclosed outside business activity. The findings stated that Natale and another firm representative referred a customer to another agent, who sold that customer a non-firm insurance policy. Pursuant to an agreement with that agent, Natale received \$94,949.16 which represented a share of the commissions the policy generated. This activity was not disclosed to his firm. Natale, in his annual certification statement, falsely certified to the firm that his outside business disclosure statement, which did not disclose any outside business activities, was current and complete.

The suspension was in effect from January 6, 2014, through February 5, 2014. ([FINRA Case #2013035441901](#))

Jay Michael Nisbet (CRD #2169722, Registered Representative, Colleyville, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Nisbet's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Nisbet consented to the described sanctions and to the entry of findings that he willfully failed to timely disclose a civil judgment for \$21,886 on his Form U4, and repeatedly failed to inform his firm of the judgment and update his Form U4 to reflect the judgment. The findings stated that while associated with another member firm, Nisbet exercised discretion in a customer's account with verbal authorization but without the required written authorization. The findings also stated that Nisbet's client, an employee of a FINRA-regulated broker-dealer, sent an email to Nisbet requesting a letter representing that she maintained a managed securities account with Nisbet at his firm. The client's accounts Nisbet serviced at the firm were, in fact, not managed. Nisbet signed and sent the

letter to his customer's employer misrepresenting that the customer maintained managed advisory accounts with him at the firm. Nisbet sent this letter knowing that the customer did not have any managed advisory accounts with the firm.

The suspension is in effect from February 3, 2014, through August 2, 2014. ([FINRA Case #2011026952401](#))

Michael George Paisan (CRD #1939806, Registered Representative, Redding, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Paisan's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Paisan consented to the described sanctions and to the entry of findings that he engaged in an outside business activity as an advisor to a start-up company for which he received an equity stake in the company as compensation for his involvement. The findings stated that Paisan did not provide written notice to his firm regarding his involvement with this outside business activity, and he did not disclose his involvement on an annual compliance questionnaire that his firm required him to complete.

The suspension was in effect from February 3, 2014, through March 4, 2014. ([FINRA Case #2012031558001](#))

Karim Jacob Pichara (CRD #5838866, Foreign Associate, Santiago, Chile) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Pichara consented to the described sanctions and to the entry of findings that prior to his departure from a member firm, he transmitted non-public personal information relative to firm customers to his personal email address. The information consisted of customers' and prospects' demographic and financial information, and client position and balance information. The findings stated that Pichara placed the customers' information at risk and caused the firm to violate Regulation S-P of the Securities Exchange Act of 1934.

The suspension was in effect from February 3, 2014, through February 7, 2014. ([FINRA Case #2012032781501](#))

John Joseph Plunkett (CRD #2321368, Registered Principal, Brooklyn, New York) was barred from association with any FINRA member in any capacity. The NAC imposed the sanction following an appeal to the SEC. The SEC affirmed the bar and sustained the NAC's findings that Plunkett removed his former member firm's books and records without the firm's authorization, and erased the firm's electronic files and computer servers. The SEC remanded the NAC's sanction imposed for Plunkett's partial failure to respond

to FINRA's requests for information and documents. For this misconduct, the NAC fined Plunkett \$20,000 and suspended him for six months in all capacities. In light of the bar, the suspension and fine was not imposed.

This matter has been appealed to the SEC and the bar is in effect pending the outcome of the appeal. ([FINRA Case #2006005259801](#))

Andres Enrique Rojas (CRD #4799671, Registered Representative, Miami, Florida) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Rojas participated in the impersonation of a customer to obtain online access to the customer's account and made a false statement to his member firm to further the impersonation scheme. The findings stated that the impersonation of the customer was designed to prevent the customer from detecting substantial losses in a personal holding company's account, caused by another broker's trading. During Rojas' participation in the scheme, he was aware of its purpose. The customer did not authorize either Rojas or the broker to impersonate him or to obtain online access to his accounts. The findings also stated that Rojas failed to appear for a FINRA-requested on-the-record interview. ([FINRA Case #2011027886901](#))

Jesse Chandler Skirvin (CRD #5098162, Registered Representative, Collinsville, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Skirvin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Skirvin consented to the described sanctions and to the entry of findings that he failed to timely disclose compromises with creditors on his Form U4. The findings stated that in his firm's Branch Manager & Financial Advisor questionnaire in 2011, Skirvin falsely certified to the firm that he had not entered into a settlement or compromise with a creditor during the prior two years. In completing the questionnaire in 2012, Skirvin failed to disclose to the firm that he had entered into compromises with creditors during the prior two years.

The suspension was in effect from January 21, 2014, through March 4, 2014. ([FINRA Case #2013036557501](#))

Brenda Ann Smith (CRD #4348518, Registered Principal, West Chester, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Smith consented to the described sanctions and to the entry of findings that she failed to timely amend her Form U4 to disclose an unsatisfied tax lien in the amount of \$6,250.90.

The suspension was in effect from February 3, 2014, through February 14, 2014. ([FINRA Case #2012034900402](#))

Allen Wayne St. Amour (CRD #4188891, Registered Representative, Traverse City, Michigan) was fined a total of \$22,500, suspended from association with any FINRA member in any capacity for a total of six months, and ordered to disgorge \$114,030 in commissions. The fines and disgorgement are due and payable if St. Amour reenters the securities industry. The sanctions were based on findings that St. Amour sold equity indexed annuities to his member firm's customers without giving prior written notice to the firm, and he received a total of \$114,030 in compensation. The findings stated that St. Amour signed a customer's name on documents related to the purchase of variable annuities in contravention of his firm's rules and without receiving the customer's written authorization to sign the customer's name. St. Amour submitted the documents to his firm and did not inform anyone at the firm that he had signed the customer's name on the documents. The findings also stated that St. Amour failed to amend his Form U4 to disclose a fine the Indiana Commissioner of Insurance had imposed.

The suspension is in effect from January 20, 2014, through July 20, 2014. ([FINRA Case #2011028324101](#))

Daniel Francis Sullivan (CRD #2312207, Registered Principal, Harleysville, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Sullivan consented to the described sanctions and to the entry of findings that he failed to disclose a tax lien filed by the IRS on his Form U4 while registered with two member firms. The findings stated that the lien remains unsatisfied. Sullivan's Form U4 with the second firm was eventually amended to disclose the lien.

The suspension was in effect from February 3, 2014, through March 4, 2014. ([FINRA Case #2012034701501](#))

Donna Keiko Sunada (CRD #2857084, Registered Representative, San Mateo, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Sunada's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sunada consented to the described sanctions and to the entry of findings that she falsely stated that she spoke with a firm customer to confirm wire transfer instructions, and she caused the firm to maintain false books and records. The findings stated that an individual posing as a firm customer sent an email requesting a wire transfer from the customer's account to a third-party beneficiary. Although firm policies and procedures require verbal confirmation from the customer prior to processing wire transfer requests, Sunada, under the mistaken belief that verbal confirmation had been obtained, processed

the wire transfer without first getting the customer's verbal confirmation. Sunada falsely indicated on the letter of authorization (LOA) she received from the imposter, which bore a forgery of the customer's signature, that she had obtained the customer's verbal approval, and then she submitted the wire transfer request for processing. The funds were returned to the customer's account the next day because the imposter had provided the incorrect account number for the receiving bank account. The imposter submitted another signed LOA with instructions to wire \$168,300 from the customer's account to a different third party. Sunada attempted to reach the customer on his cell phone but was only able to leave a voicemail. Sunada again falsely indicated on the LOA that she had obtained the client's verbal approval, and then she submitted the wire transfer request for processing. The customer returned Sunada's call and informed her that he did not make the requests. The firm was able to recall the wire successfully and the customer did not incur any losses in his account. The findings also stated that the firm terminated Sunada's employment in connection with this matter since it had previously issued Sunada a Letter of Education for falsely indicating on an LOA that she had received the client's verbal authorization to transfer funds.

The suspension was in effect from January 21, 2014, through February 19, 2014. ([FINRA Case #2013036479301](#))

Bruce Francis Supanik (CRD #2558519, Registered Representative, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Supanik consented to the described sanction and to the entry of findings that he failed to provide documents and information FINRA had requested, and failed to appear and provide on-the-record testimony in relation to the events surrounding his member firm's termination of his employment for allegations that he transferred the balance of a customer's account at the firm totaling \$506,450.32 to the joint checking account he shared with the customer. Supanik then withdrew the balance from the joint checking account and deposited it into his personal bank account. The findings stated that in view of Supanik's failure to comply with FINRA's requests for documents, information and testimony, he hindered FINRA's ability to fully investigate the matters at issue in this investigation. ([FINRA Case #2013036367701](#))

Horacio Carlos Teran (CRD #4564680, Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Teran's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Teran consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose that he had been charged with a non-securities-related felony. The findings stated that Teran failed to make the required

disclosure for more than one year until his firm independently learned of the felony charge. The firm terminated Teran and the felony charge was subsequently disclosed on his Form U5.

The suspension was in effect from February 3, 2014, through March 2, 2014. ([FINRA Case #2013035858201](#))

William C. Tucker Jr. (CRD #3101834, Registered Representative, Harrison, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Tucker consented to the described sanction and to the entry of findings that he refused to appear for FINRA-requested on-the-record interviews. The findings stated that the requests pertained to FINRA's investigation into whether Tucker failed to disclose several unsatisfied tax liens on his Form U4. ([FINRA Case #2013036705401](#))

Richard M. Vecchione (CRD #4890106, Associated Person, Merrick, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vecchione consented to the described sanction and to the entry of findings that he failed to produce FINRA-requested documents and information during the course of an investigation into allegations that there was a \$5.7 million reconciliation disparity between balances in his member firm's trading system and the relevant balance sheet balances on its general ledger. The findings stated that in response to the request, Vecchione, via his attorney, forwarded correspondence to FINRA stating that he respectfully declines to submit such responses. ([FINRA Case #2012034944101](#))

Donatas Belys Vildzius (CRD #2202883, Registered Representative, Oxford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Vildzius consented to the described sanctions and to the entry of findings that he failed to timely disclose on his Form U4 the material fact that he had two outstanding judgments.

The suspension is in effect from February 18, 2014, through March 17, 2014. ([FINRA Case #2013037424801](#))

Matthew John Westfall (CRD #1112977, Registered Principal, Junction City, Kansas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$25,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Westfall's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Westfall consented to the described sanctions and to the entry of findings that he engaged in undisclosed business activities outside the scope of his employment

with his firm. Westfall solicited and accepted funds from firm customers to purchase Iraqi Dinar currency as an investment. The findings stated that Westfall purchased the Dinars through a personal account that he had with an online company that sold Dinars. Following the Dinar purchases, Westfall sold the Dinars to firm customers, whose purchases totaled \$87,954. Westfall received approximately \$8,344 in compensation. Westfall did not request or obtain firm approval to engage in this outside business activity. Westfall provided false answers on firm questionnaires when he answered that he had disclosed all of his business activities, knowing that he had participated in an outside business activity of selling Dinars to firm customers. The findings also stated that Westfall's firm had internal guidelines that limited the amounts customers were permitted to invest in illiquid investments such as non-traded REITs. Westfall circumvented the firm's guidelines by submitting documents that falsified and exaggerated the net worth for firm customers, which in turn permitted investments in amounts that the firm would have otherwise prohibited for the affected customers. Westfall caused his firm's books and records to be inaccurate by submitting documents in which he knowingly falsified customers' net worth.

The suspension is in effect from January 6, 2014, through January 5, 2016. ([FINRA Case #2012034176401](#))

Individuals Fined

Travis Jeffrey Makings (CRD #3085351, Registered Principal, San Diego, California) submitted a Letter of Acceptance, Waiver and Consent in which he was censured and fined \$7,000. Without admitting or denying the findings, Makings consented to the described sanctions and to the entry of findings that as the principal at his member firm responsible for conducting its annual supervisory test, he failed to adequately test and verify that the firm's supervisory procedures were reasonably designed with respect to the activities of the firm and its registered and associated persons to achieve compliance with applicable securities laws and FINRA rules. The findings stated that the limited scope of the test was insufficient for the firm to determine the need to amend or add to its supervisory procedures with regard to a number of areas of its business. ([FINRA Case #2011025771001](#))

Ronald Allan Sirt (CRD #1289440, Registered Principal, Buffalo Grove, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was censured, fined \$30,000 and required to requalify for the Series 24 license within 60 days of the date of FINRA's Notice of Acceptance of the AWC. Without admitting or denying the findings, Sirt consented to the described sanctions and to the entry of findings that he was a supervisor in his member firm's Private Client Services (PCS) group, and in that capacity, he was responsible for supervising fixed income transactions. The findings stated that some firm customers of the PCS group paid excessive markups on certain fixed income transactions. In connection with those transactions, Sirt failed to detect the excessive markups and failed to reasonably enforce the firm's procedures related to fair pricing. ([FINRA Case #2008012367903](#))

Eric Alan Stewart (CRD #4893894, Registered Representative, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000. Without admitting or denying the findings, Stewart consented to the described sanction and to the entry of findings that he allowed non-public personal confidential information (PCI) located on his business laptop computer to come into possession of a non-affiliated third party. The findings stated that Stewart's former domestic partner and former customer notified FINRA that she was in possession of the laptop and that it contained certain PCI. FINRA staff subsequently acquired the laptop, analyzed its contents and determined that it did, in fact, contain PCI related to several of his member firm's customers. The firm's procedures provided that a registered representative must take certain precautions when using his laptop to ensure the confidentiality and security of client information and records. Stewart failed to take the necessary precautions to ensure the confidentiality and security of client information. ([FINRA Case #2010024418901](#))

Decisions Issued

The Office of Hearing Officers (OHO) issued the following decisions, which have been appealed to or called for review by the NAC as of January 31, 2014. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future issues of *FINRA Disciplinary and Other Actions*.

Jason Ryan Blum (CRD #5184761, Registered Representative, Larkspur, California) was fined \$10,000 and suspended from association with any FINRA member in any capacity for 20 business days. The sanctions were based on findings that Blum actively engaged in the management of his member firm's investment banking and securities business without being registered as a principal. The findings stated that in connection with the new member application of the firm to become a FINRA member broker-dealer, Blum provided a signed written statement to FINRA representing that since he would not be registered as a principal, he would not act as an officer of the firm or otherwise have any involvement in the day-to-day management of the firm until he registered as a principal. FINRA relied on these assurances from Blum and without them, would not have approved the firm's membership application. Thereafter, Blum actively engaged in the management of the firm, despite his representations to FINRA. Blum directed the firm's investment banking business, functioning as the final arbiter of the deals the firm would pursue. Blum managed sales campaigns, monitored representatives' productivity and issued orders to representatives about the matters on which they could work. Blum held himself out as acting on the firm's behalf when he functioned as the sole negotiator or signatory on agreements involving the firm. Blum was extensively involved in personnel matters, firing the bulk of the firm's employees, among other things. Blum also controlled firm finances, by among other things, exercising ultimate authority to determine whether firm expenditures would be approved.

The decision has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2009020962901](#))

John Cherry III (CRD #1891720, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity and ordered to pay \$174,000, plus prejudgment interest, in restitution to customers, plus \$300,000 in disgorgement. The sanctions are based on findings that Cherry converted funds from member firm customers for his own personal benefit without the customers' authorization. The findings stated that instead of using the funds as the customers intended, to invest in a portfolio of securities, Cherry had the funds deposited in his family-owned business and used the bulk of the funds to purchase a home. Cherry concealed from the customers what he had done with their funds and made it appear that they were earning a return on a portfolio of securities investments. For the span of about a year, Cherry made sporadic payments in varying amounts from his personal bank account and business accounts to the customers. When Cherry stopped making those payments, he gave the customers various false excuses for the end of the payments and made it appear that the funds were locked into a third-party investment that he did not control. The findings also stated that Cherry engaged in outside business activities for compensation without prompt or prior written disclosure to his firm of his involvement. Cherry did disclose to the firm that he was doing some work with an outside business activity but his disclosure did not cover his activities in connection with the customers, and expressly stated that he had not discussed his outside business activity with any firm customers.

As a separate, alternative basis for the sanctions imposed, the Hearing Panel found that Cherry willfully committed securities fraud, and violated Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, and FINRA Rule 2020.

The decision has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2011026935101](#))

William Lewis Tatro IV (CRD #808176, Registered Principal, Newark, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Tatro failed to respond to FINRA requests for information and documents in connection with its investigation to determine whether Tatro had violated federal securities laws or FINRA's conduct rules. The findings stated that Tatro admitted that he received both information requests but did not provide any of the requested information and documents because he had filed for bankruptcy, and believed the bankruptcy court had stayed all actions against him, including his obligation to provide information and documents to FINRA. Even after FINRA sent Tatro a letter advising him that it would not seek monetary sanctions against him because of the bankruptcy, Tatro never provided any of the information or documents FINRA requested.

The decision has been appealed to the NAC and the sanction is not in effect pending review. ([FINRA Case #2011026874301](#))

Robert Durant Tucker (CRD #1725356, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity and ordered to pay \$34,400, plus interest, in restitution to a customer. The sanctions were based on findings that Tucker participated in private securities transactions by recommending that a customer invest \$33,400 in a security. The findings stated that Tucker made a number of material misrepresentations about the security to the customer, telling the customer that the security was being issued to raise funds for a business venture of a well-known celebrity chef and entrepreneur opening a restaurant. Tucker's representations about the security were false. Tucker failed to disclose numerous material facts to the customer, including that he would deposit the customer's investment of \$33,400 into a bank account he controlled, that he would use the customer's funds to pay his outside business' and his own personal expenses, and that the business was in financial trouble with a negative bank account balance. The findings also stated that the customer, relying on Tucker's representations, agreed to invest \$33,400 in the security for the celebrity chef's new venture. Tucker faxed a document to the customer at his business and instructed the customer to sign it. The document authorized his member firm's clearing firm to transfer \$33,400 from the customer's brokerage account to the business' bank account. Tucker's firm refused to transfer the funds because it does not execute third-party wires. Tucker told the customer to instruct the firm to transfer the funds from the customer's brokerage account to the customer's personal bank account. The firm's clearing firm executed the revised instructions. The customer then authorized his bank to wire the funds to Tucker's business account. Tucker told the customer that this was the account for the restaurant the celebrity chef sponsored. The funds were deposited into the business account. Tucker used \$27,000 to pay overdue rent to the business' landlord, and he made a series of cash withdrawals and debit purchases with the account's automatic teller machine (ATM) card.

The findings also included that the customer did not authorize Tucker to use his funds for his personal and business expenses. Even though the customer subsequently made a demand for the return of his money, Tucker has not returned any of it. Tucker made false representations of material fact and failed to disclose material facts to induce the customer to invest in a security, and converted the customer's funds he received. By selling a nonexistent security to the customer, Tucker committed securities fraud. The misrepresentations and omissions Tucker made, and the use to which he put the customer's invested funds, resulted in him willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and FINRA Rules 2020 and 2010. FINRA found that Tucker did not provide written notice to his firm about inducing the customer to invest in a nonexistent security.

The decision has been appealed to the NAC and the sanctions are not in effect pending the appeal. ([FINRA Case #2012034923001](#))

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.

Damien Payman Alexander (CRD #2724252, Registered Representative, Jackson, California) was named a respondent in a FINRA complaint alleging that he failed to provide FINRA-requested information in connection with an investigation into Alexander's potential misconduct as a result of a Form U5 his member firm had filed. ([FINRA Case #2013035581901](#))

Robert Thomson Angle (CRD #811495, Registered Principal, San Francisco, California) was named a respondent in a FINRA complaint alleging that he failed to provide FINRA-requested information and documentation. The complaint alleges that Angle was the CEO of a FINRA member firm, and because he was designated on the Uniform Request for Broker-Dealer Withdrawal (Form BDW) as the records custodian of the firm, all correspondence and requests for information were sent to him. A closeout examination of the firm was commenced to determine whether any violations of the federal securities law and/or FINRA rules had occurred since the completion of the firm's most recent FINRA examination. FINRA intended to determine whether certain rule violations noted in previous examinations, including the failure to report customer complaints to FINRA as required, had been remediated or had continued. Initially, FINRA requested documents and information from Angle without citing FINRA Rule 8210 as the basis for the requests. When those attempts to obtain the documents and information necessary to complete and conclude the closeout examination were unsuccessful, FINRA requested the documents and information pursuant to Rule 8210. ([FINRA Case #2012032033101](#))

Capital Path Securities, LLC (CRD #104363, Middle Island, New York) and William John Davis (CRD #1247007, Registered Principal, Rocky Point, New York) were named respondents in a FINRA complaint alleging that the firm, through Davis, the firm's AML Compliance Officer (AMLCO) and President, failed to implement procedures reasonably designed to detect and cause the reporting of suspicious transactions, and failed to implement or enforce its own AML program. The complaint alleges that Davis created the firm's AML procedures and set up the firm's supervisory system. The firm's WSPs required Davis to monitor for and investigate potentially suspicious activity and file suspicious activity reports (SARs), as appropriate. The AML procedures include a number of red flags indicating typologies that could lead to potentially suspicious activity and identify how such activity would be monitored and reported. However, when faced with many of the red flags identified in the firm's AML procedures, neither Davis nor anyone else at the firm took steps to investigate further or gather information to determine whether the transactions had legitimate purposes or constituted suspicious activity.

The complaint also alleges that the firm, acting through Davis, failed to enforce its written AML program to ensure compliance with the Bank Secrecy Act. Davis failed to identify multiple transactions in customer accounts, which triggered many of the red flags identified in the firm's AML procedures. Contrary to its AML procedures, the firm did not use the exception reports its clearing firm offered, which included reports that could have been used to monitor wire activity, and the firm did not implement any of its own reports for the review of trading activity. The complaint further alleges that the firm, acting through Davis, failed to develop and implement other components of a reasonably designed AML compliance program (AMLCP), including failing to properly respond to requests under Section 314(a) of the USA PATRIOT Act of 2001, and failed to establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act.

In addition, the complaint alleges that the firm, acting through Davis, failed to follow the firm's AML procedures and did not identify, investigate and report suspicious activity in multiple instances. The firm failed to investigate the red flags that included high-volume trading of low-priced securities, wire activity associated with the liquidation of low-priced securities transactions, customer accounts associated with individuals who have securities-related disciplinary history, suspicious activity for openings, deposits and withdrawals with accounts, accounts information, and accounts either domiciled off-shore or maintaining bank accounts offshore. The firm and Davis permitted these suspicious activities to occur without conducting an adequate investigation into the activities and reporting the activities, as appropriate. Davis received alerts from the clearing firm regarding individuals and entities with securities-related disciplinary histories and was aware of the trading in customer accounts at the firm. However, the firm, acting through Davis, failed to adequately identify, investigate and respond to the suspicious trading activity related to these customer accounts. ([FINRA Case #2011025869201](#))

Karen Lee Chafe (CRD #1935625, Registered Representative, Melbourne Beach, Florida) was named a respondent in a FINRA complaint alleging that she used correction fluid or another masking technique to obscure information on multiple variable annuity withdrawal forms and individual retirement account (IRA) distribution forms. The complaint alleges that Chafe wrote over the obscured information and altered the forms, adding new information in one or more categories, including distribution amount, tax withholding instructions, withdrawal funding instructions, method of payment of distributions and application dates. Chafe reused the distribution/withdrawal forms instead of obtaining new forms executed by customers. The recycled distribution/withdrawal request forms were altered in various ways and were not re-executed by the respective customer. Chafe then submitted the forms as original to her member firm or the annuity company. Chafe admitted to FINRA that she altered the forms for several years, thereby causing her firm and the annuity company to maintain inaccurate books and records. ([FINRA Case #2012031147601](#))

Barry Lee Engen (CRD #1613162, Registered Representative, St. Paul, Minnesota) was named a respondent in a FINRA complaint alleging that he converted funds in annuity proceeds paid in error to his deceased father by a life insurance company. The complaint alleges that the insurance company issued a single-premium immediate annuity (SPIA) to Engen's father, who made a single up-front payment of \$332,396.48 to the company in exchange for monthly payments of \$3,183.40 for the remainder of his life or 10 years, whichever period was longer. The insurance company agreed to deposit the monthly payments directly into the checking account of Engen's father and the father's wife. Engen's father added Engen to the checking account after the father's wife passed away. When Engen's father also passed away, Engen did not notify the insurance company, and it continued to make monthly deposits into the checking account. The payments stopped when the company discovered through an Internet search that Engen's father had died. The company deposited \$238,755 more than required by the terms of the SPIA into the checking account. Engen did not have any legal right to the funds deposited into the checking account, yet he wrote several checks following his father's death to pay for funeral and related expenses, as well as income taxes attributable to his father. To date, Engen has not repaid the insurance company for the funds he converted. The complaint also alleges that Engen failed to provide FINRA-requested information and documents relating to its investigation of Engen's conversion of the annuity proceeds. ([FINRA Case #2012033634301](#))

Karl Robert Herrmann (CRD #2706681, Registered Representative, Tampa, Florida) was named a respondent in a FINRA complaint alleging that he converted his member firm's funds to his own use. The complaint alleges that Herrmann knew that by identifying a corporate credit card transaction as a business expense on an expense report, he would cause the firm to pay the credit card company for that transaction. In total, Herrmann caused the firm to pay for personal items costing at least \$1,000 in at least 15 transactions. Herrmann converted the firm's funds when he obtained payment from the firm for personal expenses by falsely claiming those expenses were business expenses. The complaint also alleges that Herrmann's preparation of false expense reports constituted falsification of records and his submission of false expense reports caused the firm to maintain inaccurate books and records. Shortly after Herrmann resigned from the firm, he agreed to pay the firm \$10,000 relating to the transactions it had identified during its investigation into his use of his corporate credit card. Herrmann wrote a personal check payable to the firm for \$11,712.58, which included the \$10,000 Herrmann had agreed to pay the firm as well as reimbursement for additional personal and other expenses Herrmann made. ([FINRA Case #2011029017001](#))

Audra Lynn Lalley (CRD #3107785, Registered Representative, Santa Monica, California) was named a respondent in a FINRA complaint alleging she effected numerous unauthorized transactions in a customer's joint account and IRA. The complaint alleges that Lalley prepared and distributed to the customer an email and attached spreadsheet regarding certain proposed transactions. The document failed to provide a sound basis for evaluating the facts in regard to the proposed transactions and the subject securities

and contained inaccurate statements and unsupported projections of performance. The attachment provided target prices of stocks but failed to provide a sound basis or supporting documentation for such target prices and included an inaccurate statement concerning information identified as research from the firm. ([FINRA Case #2011030072301](#))

Anthony Clive Lazarus (CRD #5713015, Registered Representative, South Ozone Park, New York) was named a respondent in a FINRA complaint alleging that he converted more than \$27,000 from two elderly banking customers of his member firm's affiliate bank. The complaint alleges that Lazarus did this by accessing one of the customer's bank account and causing \$3,104 in online payments to be made from that account to his credit card account. The customer did not know of or authorize these payments. Lazarus caused a debit card to be issued from the customer's accounts at the bank without the client's knowledge or consent, and made unauthorized ATM withdrawals of cash from the customer's accounts of more than \$9,000. Lazarus also made unauthorized over-the-counter cash withdrawals from the customer's accounts at the bank totaling \$1,080. Lazarus caused unauthorized funds transfers to be made from the second customer's savings account at the bank to her checking account. Lazarus then made online payments of more than \$14,000 from the customer's checking account to his credit card account. The customer did not know of or authorize these payments. ([FINRA Case #2012031150702](#))

**Firm Cancelled for Failure to Pay
Outstanding Fees Pursuant to FINRA
Rule 9553**

**Golden Beneficial Securities Corporation
(CRD # 48029)**
Houston, Texas
(January 15, 2014)

**Firm Suspended for Failing to Pay
Arbitration Awards Pursuant to FINRA
Rule 9554**

(The date the suspension began is
listed after the entry. If the suspension
has been lifted, the date follows the
suspension date.)

Global Trading Group, Inc. (CRD #103927)
Bronx, New York
(October 7, 2010 – January 8, 2014)
FINRA Arbitration Case #09-04019

**Individuals Barred for Failure to Provide
Information or Keep Information Current
Pursuant to FINRA Rule 9552(h)**

(If the bar has been vacated, the date
follows the bar date.)

Stephanie Danielle Bruno (CRD #5737616)
Carlsbad, California
(January 24, 2014)
FINRA Cases
#2012030565002/2013036696001

Thomas Michael Consigli (CRD #1380545)
Niagara Falls, New York
(January 31, 2014)
FINRA Case #2013038351401

Rebeca Gonzalez (CRD #4258883)
Boca Raton, Florida
(January 21, 2014)
FINRA Cases
#2012035219901/2013038421101

Brendon John Lyden (CRD #4913026)
Long Beach, New York
(January 13, 2014)
FINRA Case #2012032595301

Ricky Douglas Mullins (CRD #4808792)
Westlake, Texas
(January 24, 2014)
FINRA Case #2013038647201

Gary Woodruff Peterson (CRD #601746)
Rockford, Illinois
(January 21, 2014)
FINRA Case #2012033459401

Terry Lee Pickering (CRD #2006931)
Cooper City, Florida
(January 21, 2014)
FINRA Case #2013037512601

Anthony Gene Recck (CRD #2262658)
Berlin, Connecticut
(January 21, 2014)
FINRA Case #2013036285301

Charles A. Sayegh (CRD #2980607)
Yonkers, New York
(January 6, 2014)
FINRA Case #2013037424701

Collin Channing Seigle (CRD #5623007)
Ann Arbor, Michigan
(January 28, 2014)
FINRA Case #2013037985501

Ronald Smith (CRD #849053)
Chicago, Illinois
(January 27, 2014)
FINRA Case #2013035705601

Justin Zegalia (CRD #4133578)
McDonough, Georgia
(January 27, 2014)
FINRA Case #2012033369801

Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320
(If the revocation has been rescinded, the date follows the revocation date.)

Guy William Ziriak (CRD #3173806)
Amherst, New Hampshire
(November 21, 2013 – January 29, 2014)
FINRA Case #2012031596301

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Mitzie A. Agard (CRD #5129822)
Brooklyn, New York
(January 21, 2014)
FINRA Case #2013038079001

Brian L. Bolsen Sr. (CRD #5016192)
Benton, Arkansas
(January 10, 2014)
FINRA Case #2013038116001

Paul Raymond Boynton (CRD #4570845)
Tucson, Arizona
(January 13, 2014)
FINRA Case #2013037390301

Jeffrey D. Burns (CRD #5142564)
Clinton, South Carolina
(January 6, 2014)
FINRA Case #2012033808601

Michael James Ciuffo (CRD #2086653)
Davidson, North Carolina
(January 6, 2014)
FINRA Case #2013037138801

Dashnor Joshua Elezi (CRD #4364637)
Fort Meyers, Florida
(January 21, 2014)
FINRA Case #2013037364501

Max Esteban Farez (CRD #6021155)
Elizabeth, New Jersey
(January 16, 2014)
FINRA Case #2013038428301

Timothy P. Flaherty (CRD #5956035)
Lake Ronkonkoma, New York
(January 13, 2014)
FINRA Case #2013037828201

Sean Terence Garcia (CRD #5666377)
Boston, Massachusetts
(January 13, 2014)
FINRA Case #2013036518801

Lauren R. Guastella (CRD #6007916)
Bridgewater, New Jersey
(January 21, 2014)
FINRA Case #2013037773201

Mary Katherine Haindl (CRD #4248778)
Havertown, Pennsylvania
(January 9, 2014)
FINRA Case #2013036190801

Matthew Jude Hebert (CRD #5160519)
Lafayette, Louisiana
(January 13, 2014 – February 10, 2014)
FINRA Case #2013038291301

Nicholas Adam Hill (CRD #5992761)
Parkville, Maryland
(January 16, 2014 – January 24, 2014)
FINRA Case #2013037985701

William Earle Hill (CRD #1033111)
Delray Beach, Florida
(January 13, 2014)
FINRA Case #2012035315001

Rebecca Linda Holbrook (CRD #6016795)
Houghton Lake, Michigan
(January 10, 2014)
FINRA Case #2013038391601

Kelvin Victor Hosein (CRD #6048470)
Pickerington, Ohio
(January 6, 2014)
FINRA Case #2013037818201

Phillip Wayne James (CRD #5548072)
Sand Springs, Oklahoma
(January 21, 2014)
FINRA Case #2013038249001

Kishankumar M. Koladiya (CRD #5764555)
West Palm Beach, Florida
(January 21, 2014)
FINRA Case #2013036576301

Mark P. Kraus (CRD #5802675)
Morris Plains, New Jersey
(January 2, 2014)
FINRA Case #2013038664301

Jeffrey Louis Kuhn (CRD #4275162)
Ft. Lauderdale, Florida
(January 13, 2014)
FINRA Case #2013036313601

Jin Young Lee (CRD #2538061)
Chalfont, Pennsylvania
(January 10, 2014)
FINRA Case #2013037381601

Si Ball Lee (CRD #3155830)
Houston, Texas
(January 16, 2014)
FINRA Case #2013037648001

Gregory Austin Mason (CRD #5960069)
Indianapolis, Indiana
(January 21, 2014)
FINRA Case #2013038358701

Astrid Sylvia Reinis (CRD #2193464)
Anaheim, California
(January 21, 2014)
FINRA Case #2013038017301

Gerardo Enrique Reyes (CRD #4024452)
Sunrise, Florida
(January 21, 2014)
FINRA Case #2013036880601

Jeffery Allen Vaughn (CRD #2124515)
Mason, Ohio
(January 13, 2014)
FINRA Case #2013037097601

Kim James Willers (CRD #2839281)
Sioux Falls, South Dakota
(January 6, 2014)
FINRA Case #2012033264401

Alicia Maria Woppel (CRD #5872671)
Norwood Park, Illinois
(January 21, 2014)
FINRA Case #2013037772801

Michael David Young (CRD #2338512)
Springfield, Ohio
(January 10, 2014)
FINRA Case #2013037239801

Paul Zyambo (CRD #5099280)
Worthington, Ohio
(January 21, 2014)
FINRA Case #2013037003901

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Richard King Ainsworth (CRD #4732660)
Fairview, Texas
(January 24, 2014)
FINRA Arbitration Case #12-02077

Jeremy R. Anderson (CRD #4961628)
Nacogdoches, Texas
(January 14, 2014)
FINRA Arbitration Case #12-00030

Joselito Miguel Balintona (CRD #2140838)
Fort Myers, Florida
(January 14, 2014)
FINRA Arbitration Case #10-05100

Jean-Louis Bertholet (CRD #4441892)
Queens, New York
(January 17, 2014)
FINRA Arbitration Case #11-02277

Darwin Douglas Campoverde (CRD #4716816)
East Rutherford, New Jersey
(January 16, 2014)
FINRA Arbitration Case #12-01577

Jerry Eaton Clark Jr. (CRD #4575973)
Orlando, Florida
(January 6, 2014)
FINRA Arbitration Case #11-04384

Michael Gerard Clegg (CRD #2667818)
Indialantic, Florida
(January 24, 2014)
FINRA Arbitration Case #13-00825

Michael Derrick Davenport (CRD #5726287)
Miami, Florida
(January 14, 2014)
FINRA Arbitration Case #13-00614

Brent Keith Deviney (CRD #2131402)
West Palm Beach, Florida
(January 6, 2014)
FINRA Arbitration Case #12-01880

John Patrick Donovan (CRD #3184971)
Lebanon, New Jersey
(January 6, 2014)
FINRA Arbitration Case #13-00376

Justin Fawcett (CRD #5542807)
Frisco, Texas
(January 14, 2014)
FINRA Arbitration Case #13-00557

Matthew Hamel Francis (CRD #4075106)
San Diego, California
(January 8, 2014)
FINRA Arbitration Case #11-03789

Michael Eugene French (CRD #819126)
Essex, Vermont
(January 14, 2014)
FINRA Arbitration Case #12-01246

Stephen Grivas (CRD #1829703)
Jericho, New York
(October 29, 2013 – January 2, 2014)
FINRA Arbitration Cases #11-01982/
ARB130058

Edward Eugene Hamilton (CRD #2173979)
Midland, Georgia
(January 24, 2014)
FINRA Arbitration Case #12-03838

Jeremy David Hare (CRD #2593809)
Narberth, Pennsylvania
(January 14, 2014)
FINRA Arbitration Case #11-03778

Bruce Parish Hutson (CRD #2582087)
Whitefish Bay, Wisconsin
(January 8, 2014)
FINRA Arbitration Case #12-03652

Deanna Zimmer Kakouris (CRD #4824639)
Saint Louis, Missouri
(January 8, 2014)
FINRA Arbitration Case #12-04357

Emmanuel Kouyoumdjian (CRD #4121199)
Sunrise, Florida
(January 8, 2014)
FINRA Arbitration Case #13-00228

Freddy A. Medina (CRD #4988363)
New Brunswick, New Jersey
(January 24, 2014)
FINRA Arbitration Case #13-01104

Nathalo Ian Menendez (CRD #4882003)
East Quogue, New York
(January 16, 2014)
FINRA Arbitration Case #12-00432

Wilhelm Nash (CRD #2258212)
Palm Beach Gardens, Florida
(January 31, 2014)
FINRA Cases #2013039494101/
ARB130066/FINRA Arbitration Case
#10-05421

David M. Naumann (CRD #4748647)
San Antonio, Texas
(January 14, 2014)
FINRA Arbitration Case #13-00105

Jerry Lee Nichols (CRD #1941694)
Phoenix, Arizona
(January 14, 2014)
FINRA Arbitration Case #12-02222

Scott Cameron Nicol (CRD #2331269)
Clarkston, Michigan
(January 8, 2014)
FINRA Arbitration Case #13-00977

Christian Vieira Quege (CRD #4310744)
New Rochelle, New York
(April 12, 2011 – January 2, 2014)
FINRA Arbitration Case #09-01969

Jeffrey Rachlin (CRD #823547)
Pleasantville, New York
(January 6, 2014)
FINRA Arbitration Case #09-07084

Anthony Patrick Salamone (CRD #4073744)
Levittown, New York
(January 6, 2014)
FINRA Arbitration Case #08-00260

William Savary (CRD #1069141)
Bronx, New York
(October 7, 2010 – January 8, 2014)
FINRA Arbitration Case #09-04019

Daniel Dennis Shea (CRD #1185950)
Newport Beach, California
(January 16, 2014)
FINRA Arbitration Case #10-03787

Gary Lee Spooner (CRD #2394218)

Jackson, Mississippi

(January 16, 2014)

FINRA Arbitration Case #11-04569

Emilio Javier Valdes (CRD #2074033)

Long Branch, New Jersey

(January 17, 2014)

FINRA Arbitration Case #13-00662

Robert Henry Van Zandt (CRD #453496)

Bronx, New York

(January 14, 2014)

FINRA Arbitration Case #12-00156

Kaream Hassan White (CRD #3109919)

Gilbert, Arizona

(January 6, 2014)

FINRA Arbitration Case #11-04736

Jessica T. Winczner (CRD #5200210)

Flushing, New York

(January 24, 2014)

FINRA Arbitration Case #12-03237

Danny Leroy Yarnell (CRD #715476)

Pickerington, Ohio

(January 8, 2014)

FINRA Arbitration Case #12-03995

FINRA Orders Stifel, Nicolaus and Century Securities to Pay Fines and Restitution Totaling More Than \$1 Million for Unsuitable Sales of Leveraged and Inverse ETFs, and Related Supervisory Deficiencies

The Financial Industry Regulatory Authority (FINRA) announced that it has ordered two St. Louis-based broker-dealers—Stifel, Nicolaus & Company, Incorporated and Century Securities Associates, Inc.—to pay combined fines of \$550,000 and a total of nearly \$475,000 in restitution to 65 customers in connection with sales of leveraged and inverse exchange-traded funds (ETFs). Stifel and Century are affiliates and are both owned by Stifel Financial Corporation.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, “The complexity of leveraged and inverse exchange-traded products makes it essential for securities firms and their representatives to understand these products before recommending them to their customers. Firms must also conduct reasonable due diligence on these and other complex products, sufficiently train their sales force and have adequate supervisory systems in place before offering them to retail investors.”

Leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis so their performance can quickly diverge from the performance of the underlying index or benchmark. It is possible that investors could suffer significant losses even if the long-term performance of the index showed a gain. This effect can be magnified in volatile markets.

FINRA found that between January 2009 and June 2013, Stifel and Century made unsuitable recommendations of non-traditional ETFs to certain customers because some representatives did not fully understand the unique features and specific risks associated with leveraged and inverse ETFs; nonetheless, Stifel and Century allowed the representatives to recommend them to retail customers. Customers with conservative investment objectives who bought one or more non-traditional ETFs based on recommendations made by the firms’ representatives, and who held those investments for longer periods of time, experienced net losses.

FINRA also found that Stifel and Century did not have reasonable supervisory systems in place, including written procedures, for sales of leveraged and inverse ETFs. Stifel and Century generally supervised transactions in leveraged and inverse ETFs in the same manner that they supervised traditional ETFs, and neither firm created a procedure to address the risk associated with longer-term holding periods in the products. Further, both firms failed to ensure that their registered representatives and supervisory personnel obtained adequate formal training on the products before recommending them to customers.

Stifel agreed to pay a fine of \$450,000 and to make restitution of nearly \$340,000 to 59 customers. Century agreed to pay a fine of \$100,000 and to make restitution of more than \$136,000 to six customers.

In settling [this matter](#), Stifel and Century neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.

FINRA Bars J.P. Morgan Vice President and Broker Friend in Insider Trading Scheme

FINRA Previously Barred Westrock Advisors Broker for Failing to Provide Testimony

The Financial Industry Regulatory Authority (FINRA) announced that it has barred David Michael Gutman, a Vice President in the conflicts office of J.P. Morgan Securities, LLC, and Christopher John Tyndall, a former registered representative at Meyers Associates, L.P., from the securities industry for [their roles in an insider trading scheme](#). Gutman and Tyndall were longtime close personal friends who grew up together on Long Island. FINRA's investigation found that Gutman improperly shared material, non-public information with Tyndall during conversations that took place between March 2006 to October 2007 regarding at least 15 pending corporate merger and acquisition transactions. Tyndall then used the information to trade ahead of at least six of the corporate announcements using personal and family accounts over nearly a two-year period, and also recommended the stocks to his customers and friends. Also in connection with its investigation, FINRA [barred a third broker, Joseph Critelli](#)—also a friend of Tyndall and a registered representative at Westrock Advisors, Inc. at the time—in January 2013 for failing to appear for testimony related to his trading activity in this scheme.

Gutman learned about the pending merger transactions through his work in J.P. Morgan's conflicts office, which reviews all investment banking transactions for potential conflicts of interest for the firm. The inside information that Gutman improperly shared with Tyndall included details surrounding the acquisitions of American Power Conversion Corporation announced on October 30, 2006, Genesis HealthCare Corporation announced on January 16, 2007, First Data Corporation announced on April 2, 2007, SLM Corporation (Sallie Mae) announced on April 13, 2007, Alliance Data Systems Corporation announced on May 17, 2007, and Cytac Corporation, announced on May 20, 2007.

Cameron K. Funkhouser, Executive Vice President of FINRA's Office of Fraud Detection and Market Intelligence, said, "David Gutman had the keys to the kingdom through his position at J.P. Morgan as a gatekeeper with special access to material, non-public information. Gutman secretly gave inside information to his longtime friend, Christopher Tyndall, who exploited it for personal gain and passed it on to others. This case demonstrates that attempts to conceal illicit activity may delay but will not deter FINRA from ultimately uncovering the truth."

In concluding these settlements, Gutman and Tyndall neither admitted nor denied the charges. [Gutman consented](#) to the entry of FINRA's findings that he violated NASD Rule 2110 in failing to comply with his obligation to observe high standards of commercial honor and just and equitable principles of trade. [Tyndall consented](#) to the entry of FINRA's findings that he violated NASD Rules 2110 and 2120, and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder for his role in the scheme.

FINRA's investigation was jointly conducted by the Office of Fraud Detection and Market Intelligence and the Department of Enforcement.

FINRA Fines Banorte-Ixe Securities \$475,000 for Inadequate Anti-Money Laundering Program and for Failing to Register Foreign Finders

Firm Failed to Monitor, Detect and Report \$28 Million Activity in Customer Account Reportedly Tied to Mexican Drug Cartel

The Financial Industry Regulatory Authority (FINRA) announced that it has fined Banorte-Ixe Securities International, Ltd., a New York-based securities firm that services Mexican clients investing in U.S. and global securities, \$475,000 for not having adequate anti-money laundering (AML) systems and procedures in place and for failing to register approximately 200 to 400 foreign finders who interacted with the firm's Mexican clients. FINRA also suspended Banorte Securities' former AML Officer and Chief Compliance Officer, Brian Anthony Simmons, for 30 days in a principal capacity, as he was responsible for the firm's AML procedures and for monitoring suspicious activities. As a result of the firm's AML compliance failures, Banorte Securities opened an account for a corporate customer owned by an individual with reported ties to a drug cartel, and did not detect, investigate or report the suspicious rapid movement of \$28 million in and out of the account.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, "FINRA continues to focus on the activities of foreign finders and the effectiveness of member firms' AML programs. When foreign finders function as associated persons, they need to be properly registered with a U.S. broker-dealer. When firms accept customers who are located in high-risk jurisdictions, their AML programs need to be carefully tailored and robust to address the risks inherent in this activity."

FINRA found that Banorte Securities' AML program failed in three respects. First, the firm did not properly investigate certain suspicious activities. The Bank Secrecy Act requires broker-dealers to report certain suspicious transactions that involve at least \$5,000 in funds or other assets to the Financial Crimes Enforcement Network. Banorte Securities lacked an adequate system to identify and investigate suspicious activity, and therefore failed to adequately investigate and, if necessary, report activity in three customer accounts. In one example, it failed to adequately vet a corporate customer in Mexico who deposited and withdrew a substantial amount of money within a short period of time—\$25 million in a single month—a "red flag" for suspicious activity. A few weeks later, the same customer transferred \$3 million into and out of another corporate account via two wire transfers two and a half weeks apart. Had Banorte Securities conducted a simple Google search in response to the suspicious movement of funds, it would have learned that one of the owners of the corporate customer had been arrested by Mexican authorities in February 1999 for alleged ties to a Mexican drug cartel.

Secondly, Banorte Securities did not adopt AML procedures adequately tailored to its business, relying instead on off-the-shelf procedures that were not customized to identify the unique risks posed by opening accounts, transferring funds and effecting securities transactions for customers located in Mexico, a high-risk jurisdiction for money laundering, or the risks that arose from the firm's reliance on foreign finders. Third, Banorte Securities did not fully enforce its AML program as written.

In addition, FINRA found that from January 1, 2008, to May 9, 2013, Banorte Securities failed to register 200 to 400 foreign finders. The firm's Mexican affiliates employed foreign finders who not only referred customers to Banorte Securities but also performed various activities requiring registration as an associated person, including discussing investments, placing orders, responding to inquiries, and in some instances, obtaining limited trading authority over customer accounts. The firm had previously registered individuals performing the same functions prior to July 2006.

In settling [this matter](#), Banorte Securities and Simmons neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Simmons' suspension was in effect from February 3, 2014, through March 4, 2014.