

Disciplinary and Other FINRA Actions

Firm Expelled, Individuals Barred or Suspended

John Carris Investments LLC ([CRD® #145767](#), Hoboken, New Jersey), Jason Christian Barter ([CRD #2552583](#), Hicksville, New York), George William Carris ([CRD #3079577](#), Hoboken, New Jersey) and Andrey V. Tkatchenko ([CRD #2712245](#), Lincroft, New Jersey). The firm was expelled from FINRA® membership and Mr. Carris was barred from association with any FINRA member firm in any capacity. Tkatchenko was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two years. Barter was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in any capacity for 18 months, and required to requalify by examination as a registered representative. The sanctions were based on findings that the firm and Mr. Carris willfully violated Securities Exchange Act of 1934 Section 10(b) and Rule 10b-5 thereunder by knowingly or, at a minimum, recklessly selling securities issued by the firm's parent company on the basis of false statements of material fact and misleading omissions of material fact. The firm and Mr. Carris committed securities fraud and defrauded customers in connection with the sale of securities issued by the firm's parent company by failing to disclose the poor financial condition of the firm and its parent company, failing to disclose that Mr. Carris used firm funds for personal expenses, and misleading investors regarding the parent company's financial condition by paying dividends to the parent company's early investors with funds contributed by new investors.

The findings stated that the firm, Mr. Carris, and Tkatchenko recommended the purchase of securities issued by the firm's parent company to customers without a reasonable basis. Tkatchenko, despite access to the firm's financial documentation, failed to conduct a reasonable investigation into the securities, instead relying on information from Mr. Carris, prior to recommending them. The findings also stated that the firm, Mr. Carris, and Barter willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by manipulating the price of a stock through prearranged trading and improperly placing stock in customer accounts, in order to create the false appearance of trading volume and to maintain the price at an artificial level. The findings also included that Mr. Carris caused the firm to create and maintain inaccurate books and records, and the firm willfully violated Exchange Act Section 17(a) and Rule 17a-3 thereunder by creating and maintaining inaccurate books and records.

Reported for May 2015

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).

FINRA found that the firm and Mr. Carris failed to remit employee payroll taxes to the United States Treasury and other taxing authorities. FINRA also found that Carris caused the firm to operate without sufficient net capital, and the firm willfully violated Exchange Act Section 15 and Rule 15c-3, et seq. thereunder by operating without sufficient net capital. In addition, FINRA determined that the firm and Mr. Carris failed to implement anti-money laundering (AML) policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions. Moreover, FINRA found that the firm and Mr. Carris failed to establish, maintain and enforce a reasonable supervisory system.

Furthermore, FINRA found that the evidence did not support the charge that the firm willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by failing to disclose material, adverse conflict of interest information to firm customers who were purchasing the stock, so that charge was dismissed. The findings stated that the evidence did not support the charge that Carris willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by aiding and abetting securities fraud in connection with the firm's sale of the stock, so that charge was dismissed. The findings also stated that the evidence also did not support the charge that the firm and Mr. Carris failed to issue year-end tax forms, and issued a false Form W-2 that underreported Mr. Carris' compensation, so that charge was dismissed.

Barter's suspension is in effect from March 16, 2015, through September 15, 2016. Tkatchenko's suspension is in effect from March 16, 2015, through March 15, 2017. ([FINRA Case #2011028647101](#))

Firms Fined, Individuals Sanctioned

Share Financial Services, Inc. ([CRD #11226](#), Dallas, Texas) and Charles Herbert Major ([CRD #2748243](#), Dallas, Texas) submitted an Offer of Settlement in which the firm was censured and fined \$20,000. Major was fined \$15,000 and suspended from association with any FINRA member in any principal capacity for 10 business days. Without admitting or denying the allegations, the firm and Major consented to the sanctions and to the entry of findings that the firm, acting through Major, its president and chief compliance officer (CCO), conducted a securities business while failing to maintain its required minimum net capital. The findings stated that the firm, acting through Major, had inaccurate books and records and inaccurate net capital computations, and filed an inaccurate Financial and Operational Combined Uniform Single (FOCUS) report. Major was the designated principal responsible for ensuring that the firm's books and records were accurate. The charge against the firm alleging misleading communications with the public was dismissed.

The suspension was in effect from April 20, 2015, through May 1, 2015. ([FINRA Case #2012030729402](#))

Firms Fined

B.B. Graham & Company, Inc. ([CRD #41533](#), Orange, California) submitted a Letter of Acceptance, Waiver and Consent (AWC) in which the firm was censured, fined \$190,000, and required to revise its written supervisory procedures (WSPs). In determining the sanctions imposed FINRA considered that the firm voluntarily made restitution of \$259,784.33 to affected customers, as well as the firm's financial condition. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold corporate bonds to customers and failed to sell the bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws, regulations and FINRA rules concerning the fair pricing of corporate bond transactions with customers. In addition, the firm's WSPs failed to provide for the minimum requirements for adequate WSPs. ([FINRA Case #2011027646701](#))

Cambridge Investment Research, Inc. ([CRD #39543](#), Fairfield, Iowa) submitted an AWC in which the firm was censured and fined \$250,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to identify and apply "rollover" and exchange discounts to certain customers with eligible purchases of unit investment trusts (UIT), which resulted in those customers paying \$423,774.27 in excessive sales charges. The findings stated that the firm has paid restitution to all affected customers. The findings also stated that the firm failed to establish, maintain, and enforce a supervisory system and WSPs reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. The firm relied primarily on its registered representatives to ensure that customers received appropriate UIT sales charge discounts, despite the fact that the firm did not effectively inform and train representatives or their supervisors to identify and apply such sales charge discounts. ([FINRA Case #2013038730901](#))

Citigroup Global Markets Inc. ([CRD #7059](#), New York, New York) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted reports to the Order Audit Trail System (OATS™) that contained inaccurate, incomplete or improperly formatted data, and improperly submitted Combined Order/Execution Reports to OATS that it was not required to submit. ([FINRA Case #2013037282201](#))

Convergex Execution Solutions LLC ([CRD #35693](#), New York, New York) submitted an AWC in which the firm was censured, fined \$55,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry

of findings that it reported trades to the FINRA/Nasdaq Trade Reporting Facility (FNTRF) with inaccurate information; transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data; and incorrectly appended a “.B” modifier on one trade report to the FNTRF. The findings stated that for one month, the firm made available a report on the covered orders in national market system securities that included incorrect and incomplete information as to the inclusion of covered orders and inaccurate execution prices. The findings also stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA rules. The firm’s WSPs failed to provide for the minimum requirements for adequate WSPs regarding disclosure of order execution information and trade reporting. ([FINRA Case #2013035825701](#))

Cowen and Company, LLC ([CRD #7616](#), New York, New York) submitted an AWC in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit Reportable Order Events (ROEs) to OATS. ([FINRA Case #2013036151401](#))

Craig Scott Capital, LLC ([CRD #155924](#), Uniondale, New York) submitted an AWC in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it submitted Execution or Combined Order/Execution Reports to OATS that contained inaccurate, incomplete or improperly formatted data. ([FINRA Case #2013038744201](#))

Custom Equity Research Partners LLC dba Summer Street Research Partners ([CRD #127142](#), Boston, Massachusetts) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it participated in a firm commitment underwriting that resulted in it conducting a securities business while net capital deficient. The findings stated that the firm participated in the underwriting after not receiving FINRA’s approval for a Temporary Secured Demand Note it submitted in order to acquire additional net capital required to offset a future open contractual commitment charge resulting from its planned participation in the underwriting. ([FINRA Case #2013035399001](#))

Dealerweb Inc. ([CRD #19662](#), Jersey City, New Jersey) submitted an AWC in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to accurately report its trading capacity on 16,678 municipal securities transactions to the Municipal Securities Rulemaking Board’s (MSRB) Real-Time Reporting System. The findings stated that the firm reported these trades as agency trades when, in fact, the firm was acting in a riskless principal capacity. ([FINRA Case #2013035376301](#))

E*Trade Securities LLC ([CRD #29106](#), New York, New York) submitted an AWC in which the firm was censured and fined \$12,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted reports to OATS

that contained inaccurate special handling codes and “Good Through Extended Hours” orders without expiration times. The findings stated that the firm also failed to adjust the price of stop market orders. ([FINRA Case #2013035822501](#))

EverTrade Direct Brokerage, Inc. ([CRD #47388](#), St. Louis, Missouri) submitted an AWC in which the firm was censured and fined \$8,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to evaluate and document whether the activities of a former registered representative may have constituted private securities transactions. The findings stated that the firm failed to maintain a record of its compliance with its obligation to determine whether the representative’s activities were properly reported as an outside business activity, or whether those activities should have been treated as an outside securities activity. ([FINRA Case #2013035830101](#))

HSBC Securities (USA) Inc. ([CRD #19585](#), New York, New York) submitted an AWC in which the firm was censured, fined \$80,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report P1 transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible corporate debt securities to TRACE within the time prescribed by FINRA rules, and failed to report S1 transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. The findings stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or FINRA/NASD rules. The firm’s WSPs failed to provide for the minimum requirements for adequate WSPs regarding the review for timely reporting of TRACE-eligible transactions and the review for non-reporting of TRACE-eligible transactions. ([FINRA Case #2013035963401](#))

ICAP Corporates LLC ([CRD #2762](#), Jersey City, New Jersey) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report S1 transactions in TRACE-eligible corporate debt securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2013035960501](#))

Indiana Merchant Banking and Brokerage Co., Inc. ([CRD #16315](#), Indianapolis, Indiana) submitted an AWC in which the firm was censured and fined \$10,000. A lower fine was imposed after considering, among other things, the firm’s revenues and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it maintained a balance sheet that did not reflect all of the firm’s liabilities, maintained an inaccurate net capital computation, and failed to calculate net capital on a monthly basis. The findings stated that these net capital violations arose from the firm’s failure to properly account for a \$20,000 fine imposed by FINRA. The firm also filed inaccurate FOCUS reports, effected securities transactions while in net capital deficiency, and maintained a trial balance that was materially inaccurate. The findings

also stated that the firm failed to adequately supervise the preparation of its books and records and had inadequate WSPs. The firm's WSPs did not include a process for the review of financial statements that were prepared by an outside accountant and reviewed by outside compliance consultants. Instead, the firm relied on the outside accountant's preparation of financial statements and the outside compliance consultant's review, without conducting any checks or reviewing supporting documentation. As a result of these failures, the firm failed to properly account for the monthly payments toward the \$20,000 fine, despite the fact that the payments were being made by the firm's officers. ([FINRA Case #2013035053701](#))

Interactive Brokers LLC ([CRD #36418](#), Greenwich, Connecticut) submitted an AWC in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security, or entering into a bona-fide arrangement to borrow the security, having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due, and documenting compliance with Rule 203(b)(1) of Regulation SHO. ([FINRA Case #2011027655401](#))

Janney Montgomery Scott LLC ([CRD #463](#), Philadelphia, Pennsylvania) submitted an AWC in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to show the correct time of entry and the terms and conditions on the memoranda of brokerage orders. The findings stated that the firm also transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data. ([FINRA Case #2012034146101](#))

J.D. Nicholas & Associates, Inc. ([CRD #44791](#), Syosset, New York) submitted an AWC in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably enforce its supervisory procedures related to telemarketing activities, including ensuring that requests to add telephone numbers to the firm's Do-Not-Call (DNC) list were handled timely and accurately. The findings stated that the firm's telephone system failed to block outgoing phone calls to numbers on the DNC list and that some telephone numbers were called multiple times. The findings also stated that the firm failed to timely submit Rule 4530 complaint filings for correspondence deemed to contain a solicitation-based complaint and for an email correspondence also containing a solicitation-based complaint. The firm also failed to accurately report a complaint to the Rule 4530 reporting system. ([FINRA Case #2013035371201](#))

Martinez-Ayme Financial Group Incorporated dba Martinez-Ayme Securities ([CRD #109838](#), **Miami, Florida**) submitted an AWC in which the firm was censured and fined \$25,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to enforce its WSPs related to financial controls and financial books and records, which led to several inaccuracies in the firm's books and records, including the general ledger, trial balance and balance sheet, as well as inaccurate net capital computations and FOCUS reports. The findings stated that on 16 days, the firm conducted a securities business while it was net capital deficient and failed to timely file the requisite net capital deficiency notifications in all 16 instances. The deficiencies generally resulted from the firm's failure to accurately record its liabilities to its clearing firm and accurately calculate blockage charges and haircuts on its inventory. In addition, the firm failed to notify its Financial and Operations Principal (FINOP) of, and record on its general ledger, a \$25,000 liability for its 2013 settlement with FINRA. ([FINRA Case #2013035307701](#))

Monex Securities, Inc. ([CRD #30362](#), **Houston, Texas**) submitted an AWC in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it charged excessive mark-ups and mark-downs on foreign bond transactions. The findings stated that these charges were not fair and reasonable, taking into consideration all relevant factors, including the individual prevailing market prices and resulted in \$2,227.02 in excessive charges to customers. The firm has reimbursed the affected customers. ([FINRA Case #2013035343001](#))

Morgan Keegan & Company, LLC ([CRD #4161](#), **Memphis, Tennessee**) submitted an AWC in which the firm was censured and fined \$200,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report options positions to the Large Options Position Report (LOPR). The firm also failed to report increases or decreases to previously reported options positions to the LOPR. In addition, the firm submitted inaccurate reports of options positions to the LOPR. The findings stated that the firm failed to establish and maintain an adequate supervisory system, including adequate WSPs, reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules concerning the reporting of options positions to the LOPR. ([FINRA Case #2011030199301](#))

optionsXpress, Inc. ([CRD #103849](#), **Chicago, Illinois**) submitted an AWC in which the firm was censured and fined a total of \$2,400,000, of which \$650,000 shall be paid to FINRA. The balance of the firm's fine will be paid to The NASDAQ Options Market pursuant to a separate settlement agreement. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report, or failed to accurately report, positions to the Securities Industry Automation Corporation (SIAC) LOPR. The findings stated that FINRA conducted an analysis through sampling the firm's options positions data connected to its SIAC LOPR obligations and the firm had failed to

report options positions to the SIAC LOPR due to the firm's failure to aggregate positions for acting in concert (AIC) purposes. The firm had failed to report options positions to the SIAC LOPR as AIC with others that together had established an aggregate position of 200 or more option contracts on the same side of the market covering the same underlying security. None of these positions contained their relevant AIC identifiers. The violations resulted, in part, from the firm's failure to properly identify and aggregate the positions of all accounts under common control or those AIC. The findings also stated that the firm failed to maintain an adequate system of supervision, including systems of follow-up and review that were reasonably designed to achieve compliance with the rules governing the reporting of positions to the LOPR system. The firm also lacked sufficient WSPs requiring reviews to determine that LOPR submissions were accurate or that all reportable positions had actually been reported. ([FINRA Case #2012031310901](#))

optionsXpress, Inc. ([CRD #103849](#), Chicago, Illinois) submitted an AWC in which the firm was censured, fined \$150,000, and required to implement written Automated Clearing House (ACH) transfer review procedures to address and correct the violations in the AWC. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to implement adequate written supervisory policies and procedures reasonably designed to review and monitor certain ACH transfers of funds from customer accounts to outside bank accounts. The firm's policies and procedures for reviewing ACH transactions failed to ensure that "red flags" would be adequately reviewed and escalated. The firm's system of ACH review did not have clear or specific criteria for review of suspicious activity or clear delineation of responsibility for first- and second-level review. The findings stated that the firm did not adequately follow-up on red flags with regard to certain transfers from a particular customer's account that appeared on exception reports that the firm used to identify potentially suspicious activity. These red flags included the use of an out-of-state computer, failure of security questions, a suspicious phone call in which the caller could not provide his mother's maiden name, a changed email address, a changed security PIN, and new ACH link established and multiple ACH transfers entirely draining the account of funds within a 30-day period. While the firm's personnel noted certain irregularities in its review of the large ACH Report, the firm failed to adequately follow-up on the indicia of fraud, identify the risks in the transfers and take appropriate remedial action. As a result, an identity thief was able to cause unauthorized stock sales and misappropriate a total of \$452,100 from the firm's customer by way of ACH electronic fund transfers to an outside bank account not in the customer's name.

The findings also stated that after each ACH transfer made by the identity thief, the firm placed an automated telephone call to the customer's cell phone confirming the transfer. However, the firm did not confirm that the customer received the messages or otherwise speak with him regarding the transfers. The firm also sent emails to the address on file, which the customer did not receive because the identity thief had changed the email associated with the account. Later, the customer contacted the firm and informed it that the ACH transfers and the stock sales were unauthorized. The firm then froze the account, and ultimately reimbursed the customer the money the identity thief had misappropriated. ([FINRA Case #2012034190001](#))

RBS Securities Inc. ([CRD #11707](#), Stamford, Connecticut) submitted an AWC in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible S1 corporate debt securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2012034729701](#))

StockCross Financial Services, Inc. ([CRD #6670](#), Beverly Hills, California) submitted an AWC in which the firm was censured, fined \$7,500 and required to pay \$251.65, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it accepted and held customer market orders, traded for its own account at prices that would have satisfied the customer market orders, and failed to immediately thereafter execute the customer market orders at the same price or up to the size at which it traded for its own account or at a better price. ([FINRA Case #2013038450901](#))

Toussaint Capital Partners, LLC ([CRD #130290](#), Freehold, New Jersey) submitted an AWC in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it participated in underwritings in a firm commitment capacity to purchase securities while failing to maintain its required minimum net capital. The net capital deficiency resulted from the firm's failure to take required open contractual commitment haircuts related to the underwritings when computing its net capital. ([FINRA Case #2012034337701](#))

UBS Financial Services Inc. ([CRD #8174](#), Weehawken, New Jersey) submitted an AWC in which the firm was censured and fined \$500,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to amend, or timely amend, the Uniform Applications for Securities Industry Registration or Transfer (Forms U4) for registered representatives to report unsatisfied tax liens and civil judgments. The findings stated that the firm failed to establish and maintain a supervisory system and WSPs reasonably designed to ensure that it disclosed registered representatives' reportable unsatisfied liens and judgments on Forms U4, in instances where the firm's payroll department had received a garnishment notice. The firm did not have any supervisory procedures in place to ensure that its payroll department notified compliance or supervisory personnel to determine if the numerous wage garnishment orders it processed involved reportable events. ([FINRA Case #2013037118101](#))

Vanguard Marketing Corporation ([CRD #7452](#), Malvern, Pennsylvania) submitted an AWC in which the firm was censured, fined \$350,000 and required to certify implementation of improvements to its procedures suggested by an independent consultant relating to reporting disclosures on Forms U4 for its registered representatives. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain an adequate supervisory system, including written procedures, to ensure that it disclosed registered representatives' unsatisfied judgments

and liens on Forms U4 in instances where the firm's payroll department had notice of such liens and judgments as a result of garnishment orders it had received. The findings stated that prior to February 2013 the firm did not have any supervisory procedures in place to ensure that the payroll department notified the compliance department of garnishments, and the firm did not review the garnishments to determine whether they triggered a reportable event for the registered representatives. As a result, the firm failed to disclose or timely disclose unsatisfied judgments and liens of which it had notice by reason of the garnishment orders. Once the firm became aware of the deficiency in its supervisory system, it voluntarily undertook steps to amend its WSPs and put a process in place for its payroll department to notify its compliance department of garnishment orders. However, the firm failed to properly implement the amended procedures until July 2014 and continued to not disclose or timely disclose judgments and liens. In total, of the 80 reportable garnishment orders the firm received that triggered reportable events on the Form U4, it failed to file Form U4 amendments for 60 of these reportable events and failed to timely file Form U4 amendments for 20 reportable events. ([FINRA Case #2013038325801](#))

Firm Sanctioned

Moody Securities, LLC ([CRD #148771](#), Houston, Texas) submitted an AWC in which the firm was censured, and ordered to pay \$350,000 to the investors in a public offering of securities of the firm's affiliated real estate investment trust. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it violated FINRA rules governing underwriting compensation by acting as the wholesaling dealer-manager for the offering of interests in a REIT, in which the underwriting compensation exceeded 10 percent of the offering's gross proceeds. The findings stated that the firm's WSPs were inadequate in that they failed to provide guidelines to monitor organization and offering expenses or underwriting compensation, as the offering progressed and remained open. Specifically, the WSPs failed to provide guidance on reviewing and reforming expenses and compensation that would potentially exceed established expense limits. ([FINRA Case #2012032734401](#))

Individuals Barred or Suspended

Adesola Akanji Amosun ([CRD #5125701](#), Brentwood, Tennessee) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Amosun consented to the sanctions and to the entry of findings that he failed to notify his member firm in writing of his outside business activities or his officer position with a company. The findings stated that Amosun was the sole officer of the company, which

he operated with the expectation of receiving compensation. The findings also stated that Amosun completed and signed his firm's outside business activity form, but failed to disclose his outside business activities.

The suspension is in effect from March 16, 2015, through May 15, 2015. ([FINRA Case #2013036233201](#))

Jeffrey Todd Anderson (CRD #2267170, New York, New York) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member as an equity trader for 10 business days. In determining the sanctions, FINRA considered that Anderson's member firm had suspended Anderson for 10 business days without pay and issued a Letter of Admonishment. Without admitting or denying the findings, Anderson consented to the sanctions and to the entry of findings that he manually advertised trade volume that exceeded his firm's executed trade volume in securities that were on a Focus List. The findings stated that the Focus List identified certain securities in which the firm sought a high ranking in order to attract certain investment banking business. Anderson advertised shares that the firm did not execute. Anderson manually advertised trade volume that exceeded the firm's executed trade volume in order to obtain a high ranking and attract investment banking business for the firm. The number of shares Anderson manually advertised had no apparent relationship to the number of shares actually traded.

The suspension was in effect from April 6, 2015, through April 17, 2015. ([FINRA Case #2008013679804](#))

Terri Lynn Anderson (CRD #4684930, New Carlisle, Ohio) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Anderson consented to the sanction and to the entry of findings that she failed to provide FINRA-requested documents and information involving an investigation into her possible role in another registered representative's misuse of a customer's funds. ([FINRA Case #2015044006701](#))

Armen Bahadourian (CRD #2275043, Los Angeles, California) submitted an AWC in which he was assessed a deferred fine of \$10,000, required to pay \$6,880.75, plus interest, in disgorgement of commissions and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, Bahadourian consented to the sanctions and to the entry of findings that he executed unauthorized transactions in municipal securities in customer accounts by purchasing, without the customers' knowledge or consent, government bonds totaling approximately \$1 million. Bahadourian earned \$6,880.75 in commissions for the unauthorized transactions.

The suspension is in effect from April 6, 2015, through October 5, 2016. ([FINRA Case #2013035744301](#))

Michael Jeffrey Baker ([CRD #2565823](#), Hoboken, New Jersey) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Baker failed to provide FINRA-requested information related to an investigating into whether he had engaged in any violations of federal securities laws or FINRA rules due to a potential failure to timely report a judgment or disclose an IRS lien. ([FINRA Case #2014041664201](#))

Joel Ezeikel Blum ([CRD #4905379](#), Goshen, New York) submitted an AWC in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 20 days. Without admitting or denying the findings, Blum consented to the sanctions and to the entry of findings that he executed discretionary transactions in customer accounts without written authorization to do so. The findings stated that Blum also mismarked order tickets in connection with these transactions, inaccurately indicating that the trades were unsolicited.

The suspension was in effect from April 6, 2015, through April 25, 2015. ([FINRA Case #2014040186601](#))

Barry Stephen Brower ([CRD #1425551](#), Fair Oaks Ranch, Texas) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Brower consented to the sanctions and to the entry of findings that he exercised discretion over customer accounts and made trades without written authorization. The customers were not aware of the trades at the time they were made, but had previously verbally granted Brower discretionary trading authority in their accounts. However, Brower's member firm required written authorization and firm approval prior to exercising discretion, and Brower had previously been issued Letters of Reprimand for discretionary trading without written authorization. The findings stated that Brower also mismarked order tickets related to the trades as unsolicited, causing his firm to keep inaccurate books and records.

The suspension is in effect from March 16, 2015, through August 15, 2015. ([FINRA Case #2014039751601](#))

Patrick W. Chan ([CRD #4983548](#), Sayreville, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Chan consented to the sanction and to the entry of findings that he failed to provide FINRA-requested on-the-record testimony involving an investigation into the conduct described on Chan's amended Uniform Termination Notice for Securities Industry Registration (Form U5) that, at the direction of a more senior representative, Chan included inaccurate information in internal communications regarding his member firm's positions in order to conceal losses the senior representative had incurred. ([FINRA Case #2014043161702](#))

Raymond Thomas Clark ([CRD #3120696](#), Williamsville, New York) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Clark consented to the sanction and to the entry of findings that he failed to appear for FINRA-requested on-the-record testimony related to an investigation into whether he executed excessive and/or unauthorized transactions in customer accounts, exercised discretion without authorization, and accepted trade instructions from an individual who was not authorized to exercise trading authority in a customer account. ([FINRA Case #2014040349001](#))

Artak Daldumyan ([CRD #2818761](#), Burbank, California) submitted an Offer of Settlement in which he was assessed a deferred fine of \$12,500 and suspended from association with any FINRA member in any capacity for 10 months. Without admitting or denying the allegations, Daldumyan consented to the sanctions and to the entry of findings that he failed to timely disclose his private securities transactions to his member firm. Daldumyan made personal investments in a real estate limited liability company and a private placement in a small, local bank, without previously disclosing the transactions to his firm. The findings stated that Daldumyan also failed to provide prompt or prior written notice to his firm that he engaged in activities with four outside businesses. At various times, without prompt disclosure to the firm, Daldumyan worked as a licensed real estate agent, incorporated and ran a charitable company, engaged in marketing activities for a resort property, and became a member of the board of directors of the small, local bank. The findings also stated that Daldumyan failed to disclose an unpaid lien on his Form U4.

The suspension is in effect from April 6, 2015, through February 5, 2016. ([FINRA Case #2012033074202](#))

Louis James Deeley ([CRD #5830647](#), Santa Rosa, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Deeley consented to the sanction and to the entry of findings that he converted \$24,014 from the bank account of his member firm's customer for his own use and benefit. The findings stated that on separate occasions, Deeley submitted completed withdrawal slips to a bank teller containing a signature that appeared to be that of the customer. Deeley provided the teller with instructions to allocate part of the withdrawal amount, indicated on the slip, to a cashier's check, with the remainder rendered to him in cash. Deeley then deposited the cashier's checks in customer's brokerage account but retained the cash. ([FINRA Case #2014043723901](#))

Justin Elliot DeLeon ([CRD #5245559](#), New Rochelle, New York) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, DeLeon consented to the sanctions and to the entry of findings that he falsified a customer's account record. DeLeon deleted the customer's identifying information from a document and substituted it with his own information, thus making it appear to be his own account record, in an attempt to mislead a third party into believing that he had sufficient income and assets to rent an apartment.

The suspension is in effect from March 16, 2015, through September 15, 2015. ([FINRA Case #2013036672001](#))

Joseph Barton DiRago Jr. ([CRD #1249641](#), San Antonio, Texas) submitted an AWC 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, DiRago consented to the sanctions and to the entry of findings that he effected transactions while exercising discretion in a customer's account without the customer's prior written authorization and without his member firm's written permission.

The suspension was in effect from April 20, 2015, through May 8, 2015. ([FINRA Case #2013036168801](#))

Patrick M. Ebel ([CRD #5514739](#), Bethesda, Maryland) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for nine months. Without admitting or denying the findings, Ebel consented to the sanctions and to the entry of findings that he received notice of two tax liens, but willfully failed to timely amend his Form U4 to disclose a lien and to correct an inaccurate filing with respect to another lien. The findings stated that Ebel also willfully failed to amend his Form U4 to disclose a felony burglary charge with his member firm and willfully failed to timely report the felony charge on his initial Form U4 with a subsequent member firm.

The suspension is in effect from April 6, 2015, through January 5, 2016. ([FINRA Case #2013039604401](#))

Brian Scott Exford ([CRD #4547460](#), Watertown, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Exford consented to the sanction and to the entry of findings that he refused to appear for FINRA-requested on-the-record testimony involving an investigation into whether he had engaged in a private securities transaction. ([FINRA Case #2014039843401](#))

Antonio Vergaray Falcon ([CRD #5615176](#), Granada Hills, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Falcon failed to respond to FINRA-requests for on-the-record testimony related to an investigation into the circumstances of his termination from his member firm, including the allegations that he violated the company's medical underwriting procedures by providing fluid samples for clients. ([FINRA Case #2013035252902](#))

George Webb Fellows Jr. ([CRD #1085138](#), Washington, District of Columbia) submitted an AWC in which he 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, Fellows consented to the sanctions and to the entry of findings that he exercised discretion

in customers' accounts without obtaining written authorization. The findings stated that Fellows received an automated notification that certain customer accounts enrolled in a non-discretionary fee-based platform had insufficient liquid assets to allow for the monthly distribution of funds. Without written authorization, Fellows changed the apportionment of investments in these accounts to allow such distributions to proceed.

The suspension was in effect from April 20, 2015, through May 1, 2015. ([FINRA Case #2012034688101](#))

Jonathan Harold Frede ([CRD #830352](#), Bronx, New York) submitted an AWC in which he was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in any principal capacity for four months. Without admitting or denying the findings, Frede consented to the sanctions and to the entry of findings that as his member firm's CCO and its anti-money laundering compliance officer (AMLCO), he failed to establish and maintain a supervisory system or develop WSPs reasonably designed to ensure that the firm did not facilitate the unregistered distribution of securities in contravention of Section 5 of the Securities Act of 1933. As a result, the firm's supervisory system and WSPs failed to adequately address customer trading in Delivery Versus Payment/Receive Versus Payment Accounts (DVP/RVP accounts), despite the fact that customer liquidations of low-priced securities were frequently effected in such accounts. The findings stated that Frede failed to establish reasonably designed policies and procedures to cause the detection and reporting of suspicious transactions. Frede did not design AML policies and procedures that were adequately tailored to the firm's business model, in light of customer liquidations of low-priced securities through DVP/RVP accounts. The firm's AML policies and procedures did not describe in sufficient detail how the firm would monitor for potential suspicious activity, or how the firm would investigate the activity after identifying AML red flags. In addition, the firm relied on exception reports that Frede knew did not capture suspicious trading activity in DVP/RVP accounts. The findings also stated that Frede failed to adequately implement the AML procedures that were in effect at the firm. Frede failed to detect and adequately investigate potentially suspicious trading activity in DVP/RVP accounts, including that of a correspondent account for a foreign financial institution (FFI), which engaged in the large-scale liquidation of penny stocks under circumstances that should have triggered additional scrutiny. Frede failed to detect and investigate any of the red flags indicative of potentially suspicious manipulative trading activity and potentially unregistered distributions in the correspondent account for an FFI. Frede also failed to assess the legitimacy of the transactions, including inquiring into the ownership of the securities, the nature of the correspondent account's business, and how the shares were initially acquired and contemporaneous market activity. In addition, Frede failed to conduct adequate due diligence on that account and failed to assess potential risk factors as required by the AML Procedures and the regulations promulgated under the Bank Secrecy Act such as understanding the nature of the account's business, the markets it served, and the purpose of its trading activity.

The suspension is in effect from March 2, 2015, through July 1, 2015. ([FINRA Case #2011030204602](#))

Deborah Szwarc Giffin (CRD #2153389, Canonsburg, Pennsylvania) submitted an AWC in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, Giffin consented to the sanctions and to the entry of findings that she failed to report to her member firm that she was conducting her insurance business through an outside company even though her firm's WSPs required that representatives disclose and receive firm approval for any outside business activity.

The suspension is in effect from April 6, 2015, through May 20, 2015. ([FINRA Case #2013038786501](#))

Randall Layne Girton (CRD #5807758, Orland Park, Illinois) submitted an AWC in which he was assessed a deferred fine of \$12,500, which includes disgorgement of commissions received of \$5,165, and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Girton consented to the sanctions and to the entry of findings that he made an unsuitable recommendation to a customer. The findings stated that Girton recommended that the customer liquidate all of her holdings, including recently purchased Class A mutual fund shares, and invest the proceeds in a proprietary investment advisory program offered by his member firm, without a reasonable basis to believe that his recommendation was suitable. In the short time between the customer's initial purchase of the Class A shares and Girton's recommendation to liquidate them, there had not been any material changes in the customer's investment profile. The move of the customer's assets into the proprietary investment advisory program caused the customer to incur additional fees and charges. Several months later, Girton recommended that the customer move her assets out of the proprietary investment advisory program and reinvest them in Class A mutual fund shares, again incurring substantial up-front fees and charges. The findings also stated that Girton exercised discretion in connection with approximately 100 trades in the customer's account without obtaining the customer's written authorization to exercise discretion and without his firm's acceptance of the customer's account as discretionary.

The suspension is in effect from March 16, 2015, through June 15, 2015. ([FINRA Case #2013038861801](#))

Daniel Paul Glavin (CRD #4252025, Tinley Park, Illinois) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Glavin consented to the sanction and to the entry of findings that he converted approximately \$45,000 in customer funds for his personal use. The findings stated that Glavin's customer gave him the funds to invest in purported certificates of deposit (CDs). However, the CDs that Glavin recommended his customer purchase did not exist, and he did not use the customer's funds to purchase CDs. The findings also stated

that Glavin fabricated account statements purporting to show the customer's investments in the non-existent CDs and hand-delivered the statements to the customer. Glavin, after several demands by the customer, returned the funds. The findings also included that Glavin failed to provide FINRA-requested documents and information, and failed to appear for an on-the-record interview. ([FINRA Case #2015044416501](#))

Sharon H. Goodale ([CRD #4970485](#), Pomona, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Goodale failed to respond to FINRA-requests for documents and information related to an investigation into the circumstances leading to her termination by her member firm and allegations regarding pre-filled insurance applications. ([FINRA Case #2013035445001](#))

Kirsten Flynn Hawkins ([CRD #2509324](#), Staunton, Virginia) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hawkins consented to the sanction and to the entry of findings that she failed to provide FINRA-requested documents and information involving an investigation into allegations that she converted approximately \$500,000 from a member firm's customer. ([FINRA Case #2014043789401](#))

Monica Heffernan ([CRD #4094708](#), Holiday, Florida) submitted an AWC in which she was suspended from association with any FINRA member in any capacity for three months. In light of Heffernan's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Heffernan consented to the sanction and to the entry of findings that she willfully failed to amend her Form U4 to disclose unsatisfied judgments.

The suspension is in effect from March 16, 2015, through June 15, 2015. ([FINRA Case #2014041971301](#))

Robert Forest Held Jr. ([CRD #1017651](#), Lansdale, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Held consented to the sanctions and to the entry of findings that he borrowed money from a customer who was not a member of his immediate family when his member firm's policies and procedures prohibited registered representatives from borrowing money from firm customers unless they were immediate family members. The findings stated that Held also borrowed money from a limited liability company (LLC), which was funded entirely by the customer. Held repaid the loans but never sought or received his firm's permission to borrow the funds.

The suspension is in effect from April 6, 2015, through October 5, 2015. ([FINRA Case #2013035523702](#))

Daniel David Hillius ([CRD #6252277](#), Nampa, Idaho) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hillius consented to the sanction and to the entry of findings that as an employee of his member firm's bank affiliate, he opened a bank account in another person's name and funded the account with a forged and misappropriated check in the amount of \$922.84. Hillius thereafter established two ATM cards associated with this bank account, which he used to withdraw the funds for his personal benefit. In a related matter, the State of Idaho filed a four-count felony criminal information against Hillius charging him with grand theft, forgery of a financial transaction card, criminal possession of a financial transaction card, and forgery. Hillius' subsequently pled guilty to criminal possession of a financial transaction card. The plea agreement provides for a sentence of two-and-a-half years of probation and requires Hillius to make restitution of the \$922.84 he converted. ([FINRA Case #2014041988001](#))

Chia-Ming Hu ([CRD #5368992](#), New York, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hu consented to the sanction and to the entry of findings that he failed to provide FINRA-requested on-the-record testimony involving an investigation into allegations that he and another representative of his member firm took certain actions to conceal trading losses. ([FINRA Case #2014043161701](#))

Rice Alexander Jacobs ([CRD #5787196](#), Chesterfield, Missouri) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Jacobs consented to the sanction and to the entry of findings that he refused to provide FINRA-requested documents and information involving an investigation into allegations that in his role as treasurer of a local organization, he converted approximately \$121,814.95 from the organization's bank account. ([FINRA Case #2015043995201](#))

Leslie Lynn King ([CRD #5280908](#), Prosper, Texas) submitted an Offer of Settlement in which she was assessed a deferred fine of \$10,000 (\$9,000 of which pertains to violations of MSRB Rule G-17), required to pay \$50,000 in deferred disgorgement of commissions received, plus interest, and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the allegations, King consented to the sanctions and to the entry of findings that she aided and abetted a non-registered person to participate in the securities business in violation of the registration requirements of Sections 15(a)(1), 15B(a) and 15C(a) of the Securities Exchange Act of 1934 (1934 Act). By enabling a non-registered person to circumvent the registration requirements under the 1934 Act, notwithstanding the non-registered person's statutory disqualification, King's actions constituted willful violations of MSRB Rule G-17 and violations of FINRA Rule 2010. The findings stated that although King knew that the individual was not registered with FINRA and was not associated with any FINRA member firm, she substantially assisted the non-registered person by executing securities transactions that the non-registered person had

brokered or arranged with brokers, traders or public customers. For these transactions, King paid the non-registered person accordingly. While substantially assisting the non-registered person in these transactions, King was reckless in not knowing that the non-registered person's participation in these transactions required registration under federal securities laws. During the relevant time period and in connection with her securities business, King's member firm paid her \$1,790,361 in net commissions; and she, via her operating company, paid at least \$606,365 to the non-registered person.

The suspension is in effect from April 6, 2015, through April 5, 2017. ([FINRA Case #2010025087302](#))

Nicholas Charles Kramer ([CRD #5438903](#), Rancho Cucamonga, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Kramer consented to the sanction and to the entry of findings that he converted \$15,750 from his member firm's affiliate bank. The findings stated that Kramer created fictitious identities and used the fictitious identities to open savings, checking and linked credit card accounts through the bank. Kramer took cash advances of \$250 on each credit card and transferred the funds to linked savings and/or checking accounts. Kramer then withdrew the cash, converting the funds for his personal use. ([FINRA Case #2015044359201](#))

James Michael Madden ([CRD #1086380](#), Indianapolis, Indiana) submitted an AWC in which he 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, Madden consented to the sanctions and to the entry of findings that he exercised discretion by executing transactions in customers' accounts without obtaining the customers' written authorization or his member firm's approval. The findings stated that Madden received his customers' prior verbal authorization for purchases and sales of products consistent with their investment strategies, but exercised his discretion in executing those transactions on future dates.

The suspension was in effect April 20, 2015, through May 1, 2015. ([FINRA Case #2014040336501](#))

Alex Makarovsky ([CRD #2726603](#), Brooklyn, New York) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Makarovsky consented to the sanctions and to the entry of findings that while statutorily disqualified, he was associated with a FINRA member firm and engaged in securities business. The findings stated that Makarovsky, while identifying himself as a senior vice president at the firm, contacted former customers and requested that they transfer their accounts to the firm, solicited new customers, and provided investment advice and recommendations to prospective customers.

The suspension is in effect from April 6, 2015, through May 15, 2015. ([FINRA Case #2013035129701](#))

Robert Charles Mangold ([CRD #1665614](#), Mount Laurel, New Jersey) submitted an AWC in which he was barred from association with any FINRA member in any capacity. In light of Mangold's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Mangold consented to the sanction and to the entry of findings that he provided false information in response to a FINRA Rule 8210 request letter involving an investigation that led to FINRA issuing an AWC finding that he violated FINRA rules when he solicited and received \$56,000 in loans from customers. The findings stated that in response to FINRA's requests, Mangold submitted a signed statement in which he stated, in part, that he had sent a check to a customer. As support for that statement, Mangold attached a copy of the purported check made out to the customer. In fact, Mangold never sent such a check to the customer and the statement was false. ([FINRA Case #2015044146601](#))

Heather Marie McCall ([CRD #5311041](#), Valley Stream, New York) submitted an Offer of Settlement in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for nine months. Without admitting or denying the allegations, McCall consented to the sanctions and to the entry of findings that she failed to provide written notice or otherwise disclose her outside business activity with, or the money she received through, another financial institution to her member firm. The findings stated that McCall was employed by the financial institution, joining a training program for mortgage consultants, while on leave from her firm. The findings also stated that McCall made a false written statement to her firm denying that she worked for the financial institution and then signed the form, certifying to the truthfulness and accuracy of her statement.

The suspension is in effect from April 6, 2015, through January 5, 2016. ([FINRA Case #2013039144101](#))

Michael Anthony McGregor ([CRD #2778819](#), Staten Island, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, McGregor consented to the sanctions and to the entry of findings that he failed to amend and timely amend his Form U4 to reflect unsatisfied judgments and liens he received while associated with his member firm.

The suspension is in effect from April 20, 2015, through June 3, 2015. ([FINRA Case #2013035131701](#))

Harvey Herman Meldrum ([CRD #1804905](#), Manasquan, New Jersey) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the

findings, Meldrum consented to the sanctions and to the entry of findings that while associated with his member firm, he failed to disclose IRS tax liens on his Form U4 within 30 days after receiving notice of them.

The suspension was in effect from March 16, 2015, through June 15, 2015. ([FINRA Case #2014040319701](#))

Jeffrey Brian Meyer ([CRD #4111125](#), Lake in the Hills, Illinois) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Meyer engaged in private securities transactions, involving 37 customers and investments of more than \$1.5 million, outside the course and scope of his employment with his member firms and without providing prior written notice to the firms. ([FINRA Case #2012032758601](#))

Loreta Salinas Nelson ([CRD #1381052](#), Cathedral City, California) submitted an AWC in which she was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Nelson consented to the sanctions and to the entry of findings that she engaged in an outside business activity without providing prior written notice to her member firm. The findings stated that Nelson served as a co-trustee for a former customer, and received approximately \$47,000 in fees and expenses from the trust's assets as compensation for that activity. Nelson was also appointed with a power of attorney for the customer's affairs. At the time, the customer was approximately 100 years old and was not a family member of Nelson. Nelson's member firm prohibited registered representatives from serving in a fiduciary capacity, such as acting as a trustee or having power of attorney, unless the individual for whom the registered representative is acting as a fiduciary is a family member.

The suspension is in effect from April 6, 2015, through October 5, 2015. ([FINRA Case #2014040364901](#))

Kamran Daryush Nougzust ([CRD #5787549](#), Pembroke Pines, Florida) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Nougzust consented to the sanction and to the entry of findings that he failed to provide FINRA-requested documents and information involving an investigation into allegations that he improperly obtained approximately \$99,500 from a bank trust account. ([FINRA Case #2014043553001](#))

Michael Patrick O'Neill ([CRD #5732819](#), Long Beach, New York) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, O'Neill consented to the sanctions and to the entry of findings that he impersonated a former customer, with the customer's approval, in order to assist the customer in obtaining information from a FINRA member firm about the customer's own account.

The suspension was in effect from April 6, 2015, through May 1, 2015. ([FINRA Case #2014040737801](#))

Bufus Outlaw Jr. (CRD #2275911, Moorestown, New Jersey) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Outlaw consented to the sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose a judgment for unpaid income taxes.

The suspension is in effect from April 6, 2015, through June 5, 2015. ([FINRA Case #2014039993801](#))

Tammy Charlene Petersen (CRD #4161501, Carrollton, Virginia) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Petersen consented to the sanction and to the entry of findings that she converted approximately \$107,378 from member firm customers for her own use and benefit without the customers' knowledge or consent. The findings stated that Petersen facilitated wire transfers of funds from two separate customer accounts to one of several bank accounts that Petersen controlled. Petersen also transferred funds from two firm customers' affiliate bank accounts to a bank account she controlled. ([FINRA Case #2014043872001](#))

Matthew Roger Quinn (CRD #4478751, Burlington, Kentucky) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Quinn consented to the sanction and to the entry of findings that he failed to provide FINRA-requested on-the-record testimony involving an investigation into allegations that he withdrew funds from elderly bank customers' accounts. ([FINRA Case #2013038835001](#))

James Harold Rabbers (CRD #1203924, Stevensville, Michigan) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Rabbers consented to the sanctions and to the entry of findings that he forged a guardian's signature on a life insurance policy. The findings stated that two of Rabbers' customers contacted him regarding the purchase of a life insurance policy for their grandson. As the customers' son had recently passed away, the signature of their grandson's mother was needed. The customers insisted that the mother not be contacted for her signature and volunteered to attest to the health of their grandson. Ultimately, Rabbers signed the mother's name to the application and then signed his own name, attesting to witnessing the pertinent signatures. The insurance policy documentation was submitted to Rabbers' member firm the same day, and the policy was issued the following day. Shortly after receiving a copy of the life insurance contract, the mother contacted Rabbers and he admitted to having signed her name on the application without her knowledge or authorization. The findings also stated that Rabbers submitted withdrawal request forms

that had been pre-signed by a customer and altered previously used withdrawal requests to effectuate authorized transactions in two customer accounts. Rabbers would use the pre-signed forms to effectuate requests a customer made for his account. When Rabbers ran out of pre-signed forms, he altered withdrawal request forms that had previously been executed and submitted, through the use of white-out and/or copies, to reflect the dates and amounts the customer requested. With regard to a different customer, Rabbers re-used two previously executed documents to effect the customer's requested change in the way her retirement Required Minimum Distribution and associated withdrawal request would be processed. With the customer's knowledge and consent, Rabbers utilized white-out to alter the information accordingly and then submitted the forms to his firm. Rabbers stated he did so for purposes of customer convenience.

The suspension is in effect from April 6, 2015, through October 5, 2015. ([FINRA Case #2014041525501](#))

Daniel Gregory Retzke ([CRD #1221587](#), Freeport, Illinois) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Retzke consented to the sanction and to the entry of findings that he refused to provide FINRA-requested documents and information involving an investigation into allegations that he solicited a loan from a customer of his member firm and sold private securities offerings away from the firm without the firm's knowledge or approval. ([FINRA Case #2014043440101](#))

Raymond Sardina ([CRD #3068885](#), Miami, Florida) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Sardina consented to the sanction and to the entry of findings that he borrowed \$10,000 from a customer contrary to his member firm's policies and procedures prohibiting borrowing money from firm customers. Sardina repaid the loan when the individual was still a customer of the firm. The findings stated that Sardina neither notified the firm that he had received the loan nor obtained its approval to do so. The findings also stated that Sardina falsely represented on the firm's annual compliance questionnaire that he had not received a loan from any firm customer.

The suspension is in effect from April 20, 2015, through May 19, 2015. ([FINRA Case #2013038581401](#))

Craig John Schafer ([CRD #5078863](#), Breinigsville, Pennsylvania) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Schafer consented to the sanctions and to the entry of findings that he participated in an unapproved private securities transaction by purchasing an ownership interest in a limited liability company without seeking or obtaining his member firm's prior permission.

The suspension was in effect from April 6, 2015, through May 5, 2015. ([FINRA Case #2013036693101](#))

Raymond Daniel Schmidt ([CRD #3258497](#), Oceanside, California) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Schmidt consented to the sanction and to the entry of findings that he borrowed a total of \$2,254,818.57 from his member firm's customers for the purpose of purchasing real estate and constructing a vacation rental property, when his firm's written procedures prohibited registered representatives from borrowing money from customers subject to certain exceptions not applicable here. At the time each loan was extended, the lender was Schmidt's customer. The findings stated that Schmidt failed to notify the firm of his outside business activity, when he purchased the real estate investment, which he developed into a vacation rental property that opened for business. Schmidt was the sole owner and operator of the property and the business. The findings also stated that Schmidt submitted several compliance questionnaires to the firm in which he falsely denied borrowing funds from any firm customer, and failed to disclose the real estate investment or vacation rental property in response to questions asking whether he was engaged in any outside business activities. Schmidt submitted to the firm disclosures of loans, related to his purchase of the real estate investment and construction of the vacation rental property, in which he falsely stated that the reason for the loans was for construction of his personal residence. Schmidt also submitted to the firm a disclosure of outside business activities related to the vacation rental property in which he falsely represented, among other things, that he did not own any interest in the vacation rental property. The findings also included that Schmidt failed to provide FINRA-requested documents and information, and stated that he would not cooperate with FINRA's investigation. ([FINRA Case #2014042741201](#))

Royce Oliver Simpson ([CRD #1403356](#), Seabrook, Texas) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the findings, Simpson consented to the sanctions and to the entry of findings that he engaged in an outside business activity without his member firm's knowledge or permission. The findings stated that Simpson loaned approximately \$70,000 to a business to fund small-scale gold mining operations in Ghana, Africa. Simpson requested his firm's approval to invest in the business, but his firm denied the request. Despite the denial of the request, Simpson continued to loan funds to the business and did not provide his firm with prior written notice of his loans to the business. The findings also stated that Simpson failed to respond timely to FINRA-requests for information and documents in connection with an investigation into Simpson's business relationship with certain officials of Bernalillo County, New Mexico.

The suspension is in effect from March 16, 2015, through November 15, 2015. ([FINRA Case #2013039492903](#))

Zachary J. Smith ([CRD #5671271](#), Evans City, Pennsylvania) submitted an AWC in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Smith consented to the sanctions and to the entry of findings that he forged customers' signatures and initials on documents related to the sale of variable life insurance policies and fixed and variable annuities. The findings stated that although the underlying transactions themselves were authorized, Smith forged the signatures and initials on the documents without the customers' knowledge or authorization, and then submitted the documents to his member firm.

The suspension is in effect from April 6, 2015, through April 5, 2016. ([FINRA Case #2014040063701](#))

Benjamin Lee Spanier-Yearsich ([CRD #5171781](#), New York, New York) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Spanier-Yearsich consented to the sanction and to the entry of findings that he improperly transmitted material non-public market information concerning an imminent block transaction to institutional customers, and caused an institutional customer to sell put options on the underlying security based on that information. Spanier-Yearsich, as a member of the his member firm's Equity Derivatives Sales and Trading Group primarily responsible for distributing the firm's market research to customers and assisting customers with trade execution, became aware that an institutional customer intended to execute a 17,100-share block order in a particular security. After learning of the imminent block order, Spanier-Yearsich called two other institutional customers and revealed to them the details of the customer's order. Spanier-Yearsich then recommended that the two firm customers sell put options on the particular security, which one of the customers did. ([FINRA Case #2013039642701](#))

Jansen Wayde Stamps ([CRD #1555221](#), Marietta, Georgia) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Stamps consented to the sanction and to the entry of findings that he converted funds from his member firm by submitting falsified expense reports that falsely represented, among other things, that certain expenses were business expenses when in fact they were personal expenses. ([FINRA Case #2013039519301](#))

Stanley Marquis Steppes ([CRD #4158988](#), Kalamazoo, Michigan) submitted an AWC in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for 15 months. Without admitting or denying the findings, Steppes consented to the sanctions and to the entry of findings that he engaged in an outside business activity without providing prior written notice to his member firm. Steppes formed and was the managing member of a limited liability company (LLC), obtained a website and email address in the name of the LLC, drafted a funding proposal relating to the LLC, and shared the LLC's business plan with at least one individual. The

findings stated that Steppes failed to timely respond to FINRA-requests for information. The findings also stated that Steppes provided a misleading statement in response to FINRA-requested information. In particular, Steppes provided an explanation for his failure to timely respond to FINRA requests for information, in which he claimed that he did not recall the receipt of any documents from FINRA. In fact, as Steppes subsequently admitted during his on-the-record interview that he recalled receiving two letters and chose not to respond to them.

The suspension is in effect from April 6, 2015, through July 5, 2016. ([FINRA Case #2013036661402](#))

Sam Marshall Stull ([CRD #5268858](#), Grapevine, Texas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Stull consented to the sanction and to the entry of findings that he forged the signatures of customers on member firm documents including beneficiary information sheets, investment switch letters and account profile confirmations. The findings stated that Stull failed to provide FINRA-requested documents and information related to an investigation into the forgery. ([FINRA Case #2014042589601](#))

Leonard Eugene Tanner ([CRD #442470](#), Indianapolis, Indiana) submitted an AWC in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Tanner consented to the sanctions and to the entry of findings that he exercised discretion in executing transactions in approximately 90 customer accounts without obtaining the customers' written authorization and without his member firm's approval of these accounts for discretionary trading. The findings stated that Tanner received his customers' prior verbal authorization for purchases and sales of products consistent with their investment strategies, but exercised his discretion in executing those transactions on future dates. By exercising discretion in his customers' accounts, Tanner violated his firm's policies and procedures.

The suspension was in effect from April 6, 2015, through April 17, 2015. ([FINRA Case #2014040152701](#))

Christopher Alan Taylor ([CRD #5592832](#), Conroe, Texas) submitted an AWC in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Taylor consented to the sanction and to the entry of findings that he failed to provide FINRA-requested on-the-record testimony in connection with an investigation into allegations that he took possession of a truck from a member firm's customer without paying for it. ([FINRA Case #2015044158201](#))

Patrick Nicholas Teutonico ([CRD #2875434](#), Massapequa, New York) submitted an AWC 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, Teutonico

consented to the sanctions and to the entry of findings that he effected unauthorized transactions as first trades in newly opened customer accounts. The findings stated that Teutonico's member firm cancelled the unauthorized transactions without losses to the customers.

The suspension was in effect from April 20, 2015, through May 8, 2015. ([FINRA Case #2012030774502](#))

Blair Alexander West ([CRD #2647767](#), Southampton, New York) was barred from association with any FINRA member in any capacity. The Securities and Exchange Commission sustained the sanction following appeal of a NAC decision. The sanction was based on findings that West misused a client's funds business expenses. The findings stated that when West took the funds, he told his client and another party to the transaction that the funds would be held in escrow until closing. Contrary to this representation, as soon as West received the funds, he used them to pay his personal expenses. The findings also stated that West caused his firm to accept an investment banking fee before he was entitled to it under the terms of the investment banking agreement.

This matter has been appealed to the U.S. Court of Appeals for the Second Circuit and the sanction remains in effect pending review. ([FINRA Case #2009018076101](#))

Keilen Dimone Wiley ([CRD #4259612](#), Houston, Texas) was barred from association with any FINRA member in any capacity. The sanction was imposed by the National Adjudicatory Council (NAC) following an appeal for review of an Office of Hearing Officers decision. The sanction was based on findings that Wiley converted \$6,632.70 in insurance premium payments from 54 customers by depositing the payments into his business/personal bank account and using the funds for personal and business expenses. Wiley also provided FINRA with false and misleading testimony during his on-the-record interview regarding his use of the customer funds.

This matter has been appealed to the SEC and the bar is in effect pending review. ([FINRA Case #2011028061001](#))

Tricia Denise Willis ([CRD #5703572](#), Vernon, Connecticut) submitted an AWC in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Willis consented to the sanction and to the entry of findings that she converted a customer's funds and signed the customer's name on withdrawal slips without authorization. Willis solicited a personal loan from a friend, who was also a customer of her bank, and requested that the customer permit her to take the funds for the loan directly from the customer's home equity line of credit (HELOC). The customer agreed to both lend Willis \$2,500 and allow Willis to directly access the HELOC. However, the customer did not authorize Willis to sign the customer's name on any documents, either in connection with the loan or otherwise. Willis then prepared withdrawal slips totaling \$2,500, signed the

customer's name on the slips, and processed them at her own teller window. The findings stated that Willis withdrew an additional \$17,400 from the customer's HELOC, without the customer's authorization, and converted the funds for her own personal use. In connection with these withdrawals, Willis prepared 28 additional withdrawal slips in which she forged the customer's name. ([FINRA Case #2013039298901](#))

Adamson Wayne Wright ([CRD #2650328](#), Greensboro, North Carolina) submitted an AWC in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Wright consented to the sanctions and to the entry of findings that he marked a total of 249 order tickets in customers' accounts as unsolicited when he had solicited each order by bringing the relevant security or transaction to the customer's attention. The mismarked order tickets involved option trades, including uncovered option trades. Wright mismarked the order tickets to circumvent his member firm's policies and procedures, which prohibited its registered representatives from soliciting uncovered option trades. The findings stated that by mismarking order tickets, Wright caused the firm's books and records to be inaccurate.

The suspension is in effect from April 20, 2015, through June 18, 2015. ([FINRA Case #2011028223401](#))

Andre Paul Young ([CRD #2901804](#), Stamford, Connecticut) submitted an AWC in which he was suspended from association with any FINRA member in any capacity for one year. In light of Young's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Young consented to the sanction and to the entry of findings that he borrowed approximately \$208,400 from customers, to be used in connection with expenses he was incurring in settling his deceased father's estate, contrary to his member firm's policies and procedures prohibiting registered representatives from borrowing from customers. At no point did Young provide notice to, or receive permission from, the firm to borrow from the customers. In addition, Young did not document the loan agreement in a promissory note or in any other written form. Young provided partial repayment to the customers, and the firm ultimately reimbursed the customers the remaining balance of the loan. The findings stated that Young failed to provide complete and timely responses to FINRA's requests for information in connection with its investigation.

The suspension is in effect from April 6, 2015, through April 5, 2016. ([FINRA Case #2012034319701](#))

Individuals Fined

Peter Scobie Hall ([CRD #3121453](#), Hoboken, New Jersey) submitted an AWC in which he was censured and fined \$7,500. Without admitting or denying the findings, Hall consented to the sanctions and to the entry of findings that Hall manually advertised trade volume

that exceeded his member firm's executed trade volume in a security that appeared on Focus Lists. The findings stated that the Focus Lists identified certain securities in which the firm sought a high ranking in order to attract certain investment banking business. Hall advertised shares that the firm did not execute. Hall manually advertised trade volume that exceeded the firm's executed trade volume in order to obtain a high ranking and attract investment banking business for the firm. The number of shares Hall manually advertised had no apparent relationship to the number of shares actually traded. ([FINRA Case #2008013679803](#))

Paul Charles Messer Jr. ([CRD #2697487](#), Old Greenwich, Connecticut) submitted an AWC in which he was censured and fined \$7,500. In determining the sanctions, FINRA considered that Messer's member firm had suspended Messer for 10 business days without pay and issued a Letter of Admonishment. Without admitting or denying the findings, Messer consented to the sanctions and to the entry of findings that he manually advertised trade volume that exceeded his member firm's executed trade volume in a security that appeared on Focus Lists. The findings stated that the Focus Lists identified certain securities in which the firm sought a high ranking in order to attract certain investment banking business. Messer advertised shares that the firm did not execute. Messer manually advertised trade volume that exceeded the firm's executed trade volume in order to obtain a high ranking and attract investment banking business for the firm. The number of shares Messer manually advertised had no apparent relationship to the number of shares actually traded. ([FINRA Case #2008013679802](#))

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 the allegations in the complaint.

ACN Securities Inc. ([CRD #37645](#), New York, New York) and Simon Taylor ([CRD #3079767](#), Palm Beach, Florida) were named respondents in a FINRA complaint alleging that the firm, acting through Taylor, its CEO and CCO, failed to timely file a Form U5 for one of its registered persons who repeatedly requested termination. The complaint alleges that based on the registered person's clear request to end his association with the firm, Taylor should have terminated his registrations with the firm no later than 30 days after his resignation; however, to date, the firm, acting through Taylor, has refused to file a Form U5. ([FINRA Case #2013035237101](#))

Merid Amde ([CRD #1897365](#), West Bloomfield, Michigan) was named a respondent in a FINRA complaint alleging that he failed to disclose, in contravention of his member firm's WSPs, that a firm customer had named him as successor trustee to her trust and had named Amde and his wife as sole beneficiaries of her trust. The complaint alleges that Amde failed to provide his firm with prior written notice of his expectation of compensation due to his being named successor trustee in the customer's trust. The complaint also alleges that Amde mismarked solicited order tickets for a customer's account as unsolicited, thereby avoiding the supervision accorded by the firm to solicited trades and causing the firm's books and records to be inaccurate. The complaint further alleges that Amde executed discretionary transactions in a customer's accounts without obtaining the customer's prior written authorization and without his firm's acceptance of the accounts as discretionary accounts. In addition, the complaint alleges that Amde provided a customer with consolidated reports that falsely stated the value of her investments and exaggerated the return of her investments. ([FINRA Case #2012033393401](#))

Electronic Transaction Clearing, Inc. ([CRD #146122](#), Los Angeles, California), **David DiCenso** ([CRD #1538474](#), Upland, California) and **Kevin Murphy** ([CRD #1645347](#), San Juan Capistrano, California) were named respondents in a FINRA complaint alleging that they failed to adequately monitor red flags and the trading of its market access customers, particularly those that posed heightened risk; failed to adequately detect and prevent suspicious and potentially manipulative trades, including prompt and decisive follow-up and review and investigation; failed to invest appropriate and sufficient resources in its supervisory technology, compliance infrastructure and compliance staff; and failed to ensure that all trading activities entered under the firm's mnemonics or market participant identifiers (MPIDs) complied with applicable federal securities laws and regulations and the rules of FINRA and the Exchanges. The complaint alleges that the firm, DiCenso as the firm's former CCO, and Murphy, as the firm's president and COO, and former CCO, specifically failed to supervise to ensure compliance with Section 15(c)(3) and Rule 15c3-5 of the Securities Exchange Act of 1934. The firm, DiCenso and Murphy also failed to establish, maintain, and enforce WSPs reasonably designed for the firm's market access business and to supervise the activities of its market access customers to ensure compliance with applicable securities laws, regulations and FINRA rules. The systemic deficiencies in the firm's supervisory systems and procedures and risk management controls enabled certain of its market access customers to flood the market with suspicious and potentially manipulative trades, and the tremendous volume of trading these customers generated substantially contributed to the firm's status as a significant market access provider. The firm profited significantly, earning millions of dollars from executing securities trades on behalf of its market access customers.

The complaint also alleges that the firm failed to ensure that it had in place financial and regulatory risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit limits or capital

thresholds in the aggregate for each market access customer; prevent the entry of erroneous orders by rejecting orders that exceed appropriate price or size parameters on an order-by-order basis or over a short period of time; prevent the entry of orders unless there was compliance with all regulatory requirements, including monitoring for suspicious and potentially manipulative trading activity; and restrict access to its trading systems and technology to approved and authorized persons. The firm also failed to ensure that its regulatory risk management controls and supervisory procedures were under its direct and exclusive control. As a result, the complaint alleges that the firm willfully violated Section 15(c)(3) and Rule 15c3-5 of the Securities Exchange Act of 1934. ([FINRA Case #2010025475601](#))

Gaby Delisme ([CRD #4533627](#), Tampa, Florida) was named a respondent in a FINRA complaint alleging that she failed to comply with FINRA requests to appear and provide on-the-record testimony related to an investigation into her potential misconduct. Delisme's former member firm submitted a Form U5 indicating that she was terminated for misconduct surrounding an audit of the firm's account review process, including backdating documents and certain misrepresentations made to firm personnel. ([FINRA Case #2013036799902](#))

Anthony Diaz ([CRD #4131948](#), East Stroudsburg, Pennsylvania) was named a respondent in a FINRA complaint alleging that he knowingly allowed another representative at his member firm to falsely list himself as the broker of record, on applications and other documents, for variable annuity transactions involving another firm. The complaint alleges that Diaz was the representative who recommended and sold the other firm's annuities to his customers and engaged in this unethical conduct to circumvent the other firm's refusal to appoint him as an agent. The complaint also alleges that Diaz's actions caused his firm's books and records to be inaccurate. ([FINRA Case #2012034112402](#))

Dale Gerhart Froehlich ([CRD #1356663](#), Elkhorn, Wisconsin) was named a respondent in a FINRA complaint alleging that he borrowed \$16,800 from a customer and the customer's wife without seeking or obtaining his member firm's approval for the loan. The complaint alleges that Froehlich gave the customer and the customer's wife a personal check in the amount of \$17,808, which included agreed-upon interest, to repay the loan. The check, however, was returned for insufficient funds. The customer and his wife repeatedly inquired about the repayment of the loan. Froehlich repaid \$1,000 and promised, but failed, to repay any additional amount of the remaining balance. The complaint also alleges that Froehlich failed to respond to multiple FINRA requests for information and documents, and failed to appear for FINRA-requested testimony in connection with an investigation that was initiated after the receipt of a Form U5 reporting that Froehlich had been discharged because he had borrowed money from a customer and failed to disclose all outside business activities. ([FINRA Case #2013036362001](#))

Peter Edward Gschweng ([CRD #1978198](#), Syosset, New York) was named a respondent in a FINRA complaint alleging that as the AMLCO at his member firm, he failed to establish and implement AML policies and procedures that could be reasonably expected to detect and cause the reporting of suspicious transactions under the Bank Secrecy Act. The complaint alleges that Gschweng failed to tailor the firm's AML program to the risks posed by its direct market access and low-priced securities businesses by establishing inadequate policies and procedures for the review of potentially suspicious activity related to trading, money movements and securities movements. As a result of the firm's deficient AML program, Gschweng also failed to reasonably detect, investigate and report, if appropriate, potentially suspicious transactions when presented with red flags indicative of potentially suspicious activity. Specifically, Gschweng failed to reasonably detect and investigate potentially suspicious transactions involving the firm's customers' trades in low-priced securities issued by Chinese-based companies, and deposits and journals of low-priced securities. ([FINRA Case #2010021211902](#))

Candace Jean Lee ([CRD #1502112](#), Seattle, Washington) was named a respondent in a FINRA complaint alleging that she acted as a principal and supervisor of her member firm while suspended in principal and supervisory capacities by the State of Washington Department of Financial Institutions Securities Division. The complaint alleges that while suspended, Lee continued to serve on the firm's board of directors, continued to authorize and sign all firm-issued checks issued and review monthly account statements, was involved in recruitment and hiring of firm employees, participated in the negotiation of contracts between her firm and third parties, held herself out as having authority to communicate on her firm's behalf, and continued to act in a supervisory capacity over individuals at her firm. ([FINRA Case #2013035095301](#))

Mercator Associates, LLC ([CRD #112903](#), Toronto, Canada), **Gurterath Manni Singh Buttar** ([CRD #4511978](#), Toronto, Canada) and **Fabrizio David Lentini** ([CRD #2392695](#), Mississauga, Canada) were named respondents in a FINRA complaint alleging that they knowingly submitted materially false and misleading brokerage and bank account applications to open Sri Lankan accounts, in that they failed to disclose the true underlying beneficial ownership of the assets held in the accounts. The complaint alleges that the accounts, one maintained with a Sri Lankan broker-dealer and the other a bank account with a Sri Lankan bank, were opened in the firm's name, but contained the assets of other entities that were unrelated to it but were each affiliated with its largest customer. The complaint also alleges that the firm, acting through its president, CCO and AMLCO Lentini, failed to implement and enforce its AML procedures to ensure compliance with the Bank Secrecy Act. The firm and Lentini failed to detect and investigate red flags indicative of potentially suspicious activity concerning the accounts. These red flags suggested that the firm's largest customer along with the customer's affiliated entities were using the firm to conceal their affiliation with certain issuers.

The complaint further alleges that the firm, acting through its FINOP Buttar, failed to file an application and/or letter for control location status with the SEC requesting approval to designate the Sri Lankan accounts as a satisfactory control location. In addition, the complaint alleges that the firm and Buttar failed to prepare reserve formula computations for all customer cash and securities held in the accounts. Moreover, the complaint alleges that the firm and Buttar failed to conduct or include its reserve formula computations as part of its FOCUS filings, which caused them to be inaccurate. Furthermore, the complaint alleges that the firm failed to create certain required books and records related to the activities in the accounts. The firm's conduct constituted willful violations of the Securities Exchange Act of 1934 Rules 15c3-3(c)(4), 15c3-3(e), 17a-3 and 17a-5. ([FINRA Case #2011025438601](#))

Miguel Ortiz (CRD #5893323, New York, New York) was named a respondent in a FINRA complaint alleging that he defrauded customers by making materially false and misleading statements and omitting material information regarding a joint brokerage account that Ortiz previously convinced the customers to fund. Ortiz carried out this misconduct to prevent the customers from discovering that their account had lost over 80 percent of its original \$210,000 value. Ortiz told the customers that he would provide investment management services for the joint account through his company. However, Ortiz failed to inform the customer that his company was not registered with the U.S. Securities and Exchange Commission, FINRA or any other regulatory agency, and his company was a shell company that served no legitimate business purpose. Instead, through a series of emails, Ortiz misled the customers into believing that his company was providing investment management services. The customers resided in Venezuela and entrusted Ortiz with the management of the account since its inception based on his representations.

The complaint alleges that Ortiz failed to inform the customers that their account declined significantly in value. Instead, Ortiz sent the customers false account statements that misstated the true value and composition of the joint account and indicated that the customers owned assets that did not exist. Additionally, Ortiz made numerous false statements and omissions in an email he sent to the customers regarding the growth of the account and his role in its management. Based on Ortiz's misstatements and omissions, the customers were duped into believing that the joint account was recovering losses suffered and beginning to operate profitably. After obtaining a password to access the account information online, through the clearing firm's website, the customers observed that their account balance was only \$39,413.520. The customers then flew from Venezuela to meet with Ortiz in person, wherein he promised to give the customers a check for \$188,807.20 representing the difference between the actual account balance and what Ortiz claimed was the total account balance. Ortiz never provided the customers with any funds and the customers liquidated the securities remaining in the joint account with losses totaling \$162,843.91. Ortiz willfully violated Section 10(b) of the Securities Exchange Act of 1934

and Rule 10b-5 thereunder through his willful fraudulent misrepresentations and omission of material facts in connection with the sale of securities. The complaint also alleges that Ortiz willfully failed to amend his Form U4 to disclose a judgment entered against him. The judgment against Ortiz, totaling \$5,093,860.01, remains unsatisfied. ([FINRA Case #2014041319201](#))

Jason Michael Otto ([CRD #5215431](#), Studio City, California) was named a respondent in a FINRA complaint alleging that while employed as a licensed banker with a bank, he converted funds from the bank by improperly charging off a \$4,346.49 debit balance in his account. Otto incurred the \$4,346.49 debit balance when he purchased cashier's checks totaling \$15,655, from his checking account, when he had insufficient funds in the account to pay for the checks. The complaint alleges that Otto used computer login credentials assigned to other employees, without permission from the bank or any of its employees, to improperly approve payment of the checks using bank funds. The bank's policies prohibited employees from approving overdrafts for their own accounts or abusing checking account privileges by writing insufficient checks. The complaint also alleges that Otto failed to provide information and testimony to FINRA in connection with its investigation into his conversion from the bank. ([FINRA Case #2014041319401](#))

Norma Monica Skeete ([CRD #1175911](#), Arlington, Virginia) was named a respondent in a FINRA complaint alleging that she made negligent misrepresentations to a customer of her member firm, in connection with a loan that the customer made to a real estate venture. Skeete relied solely on representations by purported business partners of the venture, and did not take any independent steps to understand how the loans would be documented, where the funds were held, who held the funds, whether the purported business partners had taken any steps to secure the real estate, or how the customer would be repaid. Skeete did not request or review any documentation in connection with the loan and did not have a reasonable basis to believe that the customer's funds were safe or that his return was guaranteed. Regardless, Skeete wrote in an email to the customer that his loan would be safe and would be returned to him. When the customer sought an update about his loan, Skeete told him in an email that things were going according to plan and that the deal would close by a certain date, based solely on what the business partners told her. However, contrary to Skeete's representations, the customer's funds were not safe and he was not repaid. The customer never recovered his funds and lost approximately \$160,000. ([FINRA Case #2013036555501](#))

Jordon Scott Trice ([CRD #5500091](#), Reno, Nevada) was named a respondent in a FINRA complaint alleging that he recommended options transactions in a customer account that was not approved by an appropriate principal at his member firm for options activity. The complaint alleges that Trice caused to be executed options transactions for the customer which resulted in a net loss to the customer of approximately \$29,050.84. Trice received commissions totaling approximately \$3,364.80 as a result of these options transactions. ([FINRA Case #2012030670603](#))

John Joseph Vaughan (CRD #1495636, Glen Rock, New Jersey) was named a respondent in a FINRA complaint alleging that he refused to appear and provide FINRA-requested testimony in connection with an investigation into a member firm's potential violations of FINRA's fixed income best execution rules. Vaughan was the firm's compliance manager during the relevant periods of FINRA's investigation. ([FINRA Case #2012031877501](#))

John Joseph Vaughan (CRD #1495636, Glen Rock, New Jersey) was named a respondent in a FINRA complaint alleging that as CCO of his member firm, he failed to establish, maintain and enforce reasonable supervisory systems for heightened supervision of his firm's registered representatives who had a history of customer complaints, arbitrations and disciplinary actions. The complaint alleges that Vaughan's Heightened Supervision Plans were not reasonably designed to detect potential sales practice abuses, and he failed to otherwise ensure that the representatives were adequately supervised. Further, the Heightened Supervision Plans did not provide that supervisors would monitor the representatives' transactions on a daily basis, and Vaughan failed to otherwise ensure that such monitoring occurred. Vaughan failed to enforce the terms of the Heightened Supervision Plans and unreasonably delegated supervisory responsibilities to a registered representative after placing the registered representative on a Heightened Supervision Plan. The complaint also alleges that Vaughan failed to implement a reasonable system at the firm for reviewing customer transactions. Vaughan unreasonably delegated responsibility for conducting reviews of customer transactions to an inexperienced and inadequately trained junior employee who did not hold any principal registrations, and failed to reasonably ensure that the junior employee was performing the delegated reviews properly or otherwise ensure that they were taking place. ([FINRA Case #2012030373701](#))

Complaint Dismissed

FINRA issued the following complaint, which represented FINRA's initiation of a formal proceeding. The findings as to the allegations were not made, and the Hearing Officer has subsequently ordered that the complaint be dismissed.

Randy Jay Hechler (CRD #2292597)
Freehold, New Jersey
(March 9, 2015)
FINRA Case #2011028647101

Firm Cancelled for Failure to Pay Outstanding Annual Assessment Fee Pursuant to FINRA Rule 9553

Newcomb & Company, Inc. (CRD #16851)
Hampton Falls, New Hampshire
(March 17, 2015)

Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

Murphy & Durieu nka W.A. Capital Markets (CRD #6292)
New York, New York
(March 20, 2015)

Success Trade Securities, Inc. (CRD #46027)
Washington, District of Columbia
(March 31, 2015)

Firm Cancelled for Failure to Meet Eligibility or Qualification Standards Pursuant to FINRA Rule 9555

BCC Advisory Services, LLC (CRD #143642)
Newport Beach, California
(March 26, 2015)

Firm Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

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

AX Trading, LLC (CRD #154702)
Stamford, Connecticut
(November 28, 2014 – March 4, 2015)

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.)

Charles Eric Brown (CRD #6306542)
Waianae, Hawaii
(March 16, 2015)
FINRA Case #2014041318401

Omar Campos (CRD #5003203)
El Paso, Texas
(March 26, 2015)
FINRA Case #2014041715101

Marie Elizabeth Cantu (CRD #4077162)
Helotes, Texas
(March 9, 2015)
FINRA Case #2014042101301

James Arthur Champi (CRD #2242499)
Grahamsville, New York
(March 2, 2015)
FINRA Case #2014041912401

Joseph Edmund Flores DeMeneses Jr. (CRD #2902533)
Fairfield, Connecticut
(March 26, 2015)
FINRA Case #2014040887201

Elon Isreal Henek (CRD #6052765)

Westbury, New York
(March 11, 2015)
FINRA Case #2014039665001

Jonele Inise Hinton (CRD #6080134)

Columbus, Ohio
(March 18, 2015)
FINRA Case #2014041949401

Jeremy Shawn Hixson (CRD #2685988)

Uniontown, Ohio
(March 27, 2015)
FINRA Case #2014042362001

Mark Joy Lane (CRD #1874914)

Pittsburgh, Pennsylvania
(March 2, 2015)
FINRA Case #2014042182801

Salim Lyazidi (CRD #4617448)

Miami, Florida
(March 9, 2015)
FINRA Case #2014040964801

Scott Frederick Matthews (CRD #2049371)

Adrian, Michigan
(March 12, 2015)
FINRA Case #2013039634702

Chadrick Alan Moss (CRD #5518771)

Evans, Georgia
(March 13, 2015)
FINRA Case #2014041131601

Paul Avery Nicholls Jr. (CRD #1981633)

Plymouth, Massachusetts
(March 9, 2015)
FINRA Case #2014041920901

Jason Charles Parker (CRD #5325129)

Milledgeville, Georgia
(March 23, 2015)
FINRA Case #2014042480701

Jane Linda Taylor (CRD #3053628)

Brooklyn, New York
(March 2, 2015)
FINRA Case #2014042062901

Daniel L. Valdes (CRD #6247662)

Columbia, Maryland
(March 26, 2015)
FINRA Case #2014042326401

Individuals 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.)

Rodney Preston Michel (CRD #1275392)

San Diego, California
(March 27, 2015)
FINRA Case #2010022543701

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.)

Michael John Brunelli (CRD #4293626)

Norwood, Massachusetts
(March 30, 2015)
FINRA Case #2014041641101

Eric Andre Dallas Sr. (CRD #3193223)

New Rochelle, New York
(March 20, 2015)
FINRA Case #2013038774901

Joseph R. Donato (CRD #4218627)

Framingham, Massachusetts
(March 2, 2015)
FINRA Case #2013038429701

Mark William Glover (CRD #5644438)

Solvang, California
(March 16, 2015)
FINRA Case #2014042056601

Peter Alex Gouzos (CRD #1959666)

Delray Beach, Florida
(March 16, 2015)
FINRA Case
#2014041184701/20140413102

Bethanne Haight (CRD #5929427)

Hilton, New York
(January 12, 2015 – March 24, 2015)
FINRA Case #2014042296701

Ryan David Houfe (CRD #5692447)

Milton, Wisconsin
(March 30, 2015)
FINRA Case #2014040699501

Stephen D. Jones (CRD #5714623)

Charlotte, North Carolina
(March 23, 2015)
FINRA Case #2014042588501

Robert William Kent (CRD #6203142)

Milledgeville, Georgia
(March 2, 2015)
FINRA Case #2014042530401

Eloy Leal (CRD #3042256)

Crowley, Texas
(March 2, 2015)
FINRA Case #2014042342801

Jason John Lenzi (CRD #5874832)

Boardman, Ohio
(March 23, 2015)
FINRA Case #2015044007201

Alex Lubetsky (CRD #5869838)

Lackawaxen, Pennsylvania
(March 12, 2015)
FINRA Case #2011029713002/FPI140011

Sandra Lee Meredith (CRD #6296285)

Clarksville, Tennessee
(March 30, 2015)
FINRA Case #2014042784501

Curtis Dean Milakovich (CRD #5471527)

Naples, Florida
(March 23, 2015)
FINRA Case #2013039263901

Thuan Quoc Ngo (CRD #5917340)

Annandale, Virginia
(March 16, 2015)
FINRA Case #2014042523401

Ralph Oelbermann (CRD #1962900)

Palm Beach Gardens, Florida
(March 13, 2015)
FINRA Case #2013038528001

Dawn Marie Pace-Alfaro (CRD #6258147)

Williston, Florida
(March 30, 2015)
FINRA Case #2014042533301

Jessica K. Potts (CRD #5783055)

Williamsburg, Ohio
(March 20, 2015)
FINRA Case #2013039069501

Richard S. Schumacher (CRD #4805333)

Ellenton, Florida
(March 30, 2015)
FINRA Case #2014042897501

Mark Warren Tetzlaff (CRD #1334441)

Waukesha, Wisconsin
(March 6, 2015 – March 24, 2015)
FINRA Case #2014040926101

Kim Hoan Vu (CRD #4372686)

Potomac Falls, Virginia
(March 16, 2015)
FINRA Case #2014042419101

Michael Anthony Vu (CRD #6150800)
Honolulu, Hawaii
(March 23, 2015)
FINRA Case #2014043049501

Jeffrey Wayne Williams (CRD #1593557)
College Station, Texas
(March 16, 2015)
FINRA Case #2014042533701

Judith Louise Woodhouse (CRD #2852394)
Irvine, California
(March 2, 2015)
FINRA Case #2014042644401

Individuals Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

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

Gregg Mathew Becker (CRD #2582556)
Hicksville, New York
(July 3, 2002 – March 20, 2015)
FINRA Arbitration Case #00-04525

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.)

Enver Rahman Alijaj (CRD #4943780)
New York, New York
(March 25, 2015)
FINRA Arbitration Case #13-02122

Enver Rahman Alijaj (CRD #4943780)
New York, New York
(March 27, 2015)
FINRA Arbitration Case #13-00096

Gregg M.S. Berger (CRD #2191694)
Yonkers, New York
(March 25, 2015)
FINRA Arbitration Case #13-02717

Niyukt Raghu Bhasin (CRD #2282048)
Wellington, Florida
(March 23, 2015)
FINRA Arbitration Case #13-01890

Jinesh Pravin Brahmbhatt (CRD #2491299)
Potomac, Maryland
(March 31, 2015)
FINRA Arbitration Case #13-03125

Patrick Ryan Bray (CRD #3184746)
Bradenton, Florida
(March 23, 2015)
FINRA Arbitration Case #14-00216

Matthew Kim Burke (CRD #1740949)
Woodinville, Washington
(March 23, 2015)
FINRA Arbitration Case #12-04077

Douglas Walter Campbell Jr. (CRD #2462754)
New Canaan, Connecticut
(March 25, 2015)
FINRA Arbitration Case #14-00088

David Wayne Chun (CRD #5046451)
Farmers Branch, Texas
(March 27, 2015)
FINRA Arbitration Case #13-02451

Gifford Winston Crosby II (CRD #4478060)
Scottsdale, Arizona
(March 30, 2015)
FINRA Arbitration Case #14-00770

Andrew Joseph Donofrio (CRD #2039135)
Red Bank, New Jersey
(March 18, 2015)
FINRA Arbitration Case #12-00963

Anthony Frank Giuliano III (CRD #5459072)
Centereach, New York
(March 30, 2015)
FINRA Arbitration Case #13-01361

Stephen Grivas (CRD #1829703)
Jericho, New York
(March 23, 2015)
FINRA Arbitration Case #13-02034

Greg James Hilliard (CRD #4695196)
Highlands, New Jersey
(March 13, 2015)
FINRA Case #20150444982/ARB150014

Michael Thomas Kinney (CRD #4692626)
Ham Lake, Minnesota
(March 2, 2015)
FINRA Arbitration Case #13-00269

Brendon John Lyden (CRD #4913026)
Long Beach, New York
(March 2, 2015)
FINRA Arbitration Case #13-03455

Ronald Moschetta (CRD #1100365)
Lido Beach, New York
(March 30, 2015)
FINRA Arbitration Case #07-03369

Noah Lauren Myers (CRD #2387620)
Lyme, Connecticut
(March 27, 2015)
FINRA Arbitration Case #13-00306

Wilhelm Nash (CRD #2258212)
Palm Beach Gardens, Florida
(March 27, 2015)
FINRA Arbitration Case #14-01487

Jeffrey George Nunez (CRD #1580759)
New York, New York
(March 25, 2015)
FINRA Arbitration Case #13-02717

Roger Jude O'Donnell (CRD #809308)
Irvine, California
(March 30, 2015)
FINRA Arbitration Case #12-02126

**Horace Gandy Stubblefield III
(CRD #4328570)**
Lufkin, Texas
(March 6, 2015)
FINRA Arbitration Case #14-01459

**Alexander Walter Swanson
(CRD #4759869)**
Smithtown, New York
(March 31, 2015)
FINRA Arbitration Case #13-00353

James Kevin Triguero (CRD #2875956)
San Jose, California
(March 6, 2015)
FINRA Arbitration Case #14-01146

FINRA Sanctions Brookville Capital Partners \$1.5 Million and Bars President Anthony Lodati for Fraud

The Financial Industry Regulatory Authority (FINRA) ordered [Brookville Capital Partners LLC](#), based in Uniondale, NY, to pay full restitution of more than \$1 million to the victims and fined the firm \$500,000 for fraud in connection with sales of a private placement offering. FINRA also barred Brookville President [Anthony Lodati](#) from the securities industry.

FINRA found in its settlement and alleged in a May 2014 complaint that Brookville and Lodati defrauded Brookville customers in connection with the sale of a private placement offering called Wilshire Capital Partners Group LLC, through which investors would purportedly have an indirect interest in pre-initial public offering shares of Fisker Automotive. The conduct took place from January 2011 to October 2011.

During the time Brookville solicited customers to invest in the offering, Lodati learned that John Mattera, an individual with a significant criminal and regulatory background, had effected transactions on behalf of Wilshire as Wilshire's CEO and Managing Director. Instead of disclosing that, among other things, Mattera had been sanctioned by the Securities and Exchange Commission (SEC) in 2010 for securities fraud and convicted of a felony in Florida in 2003, Lodati and Brookville purposely withheld this information and information about Mattera's involvement with Wilshire, and continued to solicit its customers to invest. In total, Brookville sold over \$1 million worth of interests in Wilshire to 29 customers. Brookville received more than \$104,000 in commissions for the sales.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, "Firms have a fundamental responsibility to ensure they provide all material information when they solicit customers to invest in a security. FINRA has zero tolerance for firms and their registered representatives who intentionally withhold that information."

In November 2011, the SEC sued Mattera and others in connection with a scheme that included Wilshire, through which they defrauded investors of \$13 million. These individuals were also criminally prosecuted and convicted, and Mattera has been sentenced to prison. The SEC obtained a court order freezing all of Wilshire's assets, including the interests owned by Brookville's customers. The Brookville customers who invested in Wilshire lost their entire investment.

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

FINRA's investigation was conducted by the Department of Enforcement.

FINRA Sanctions First New York Securities L.L.C. \$916,000 for Illegal Short Selling in Advance of 14 Public Offerings

The Financial Industry Regulatory Authority (FINRA) sanctioned [First New York Securities L.L.C.](#) \$916,000 for short selling ahead of participating in 14 public offerings of securities, in violation of Rule 105 of Regulation M, and for related supervisory violations. FINRA ordered First New York to pay disgorgement of more than \$516,000, plus interest, and fined the firm \$400,000. Additionally, the firm is prohibited from participating in secondary or follow-on offerings for a period of six months.

Rule 105 of Regulation M under the Securities Exchange Act of 1934 generally prohibits buying securities in secondary offerings when the purchaser sold short the security that is the subject of the offering during a specific restricted period—typically five business days—before the secondary offering is priced.

Thomas Gira, FINRA Executive Vice President, Market Regulation, said, “Rule 105 of Regulation M is vital to ensuring the integrity and fairness of the offering process. Rule 105 violations, particularly recidivist violations as is the case with First New York, will be aggressively pursued by FINRA.”

From September 2010 through April 2013, First New York sold securities short within the five business days leading up to the pricing of 14 public offerings in those securities, and then purchased securities in those offerings. First New York purchased a total of more than 670,000 shares after having sold short 187,060 shares of the securities within the five business days leading up to the offerings. FINRA previously sanctioned the firm in December 2008 for Regulation M Rule 105 violations and related supervisory failures.

In concluding [this settlement](#), First New York neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.

FINRA’s investigation was conducted by the Department of Market Regulation.

FINRA Sanctions Oppenheimer & Co. \$3.75 Million for Supervisory Failures

The Financial Industry Regulatory Authority (FINRA) fined [Oppenheimer & Co. Inc.](#) \$2.5 million and ordered the firm to pay restitution of \$1.25 million for failing to supervise Mark Hotton, a former Oppenheimer broker who stole money from his customers and excessively traded their brokerage accounts. FINRA permanently barred Mark Hotton from the securities industry in August 2013.

Brad Bennett, FINRA's Executive Vice President and Chief of Enforcement, said, "As this case demonstrates, the combination of an unscrupulous broker and a lax supervisory structure can cause severe customer harm. Firms must ensure that they implement supervisory systems that are reasonably designed to both identify and respond to red flags that may indicate broker misconduct."

FINRA found that Oppenheimer failed to supervise Hotton in multiple respects. First, Oppenheimer failed to adequately investigate Hotton prior to hiring him, even though FINRA records showed that he was subject to 12 reportable events, including criminal charges and seven customer complaints. The firm also failed to place Hotton under heightened supervision despite learning, shortly after Hotton joined the firm, that his business partners had sued him for defrauding them out of several million dollars. Additionally, Oppenheimer failed to respond to "red flags" in correspondence and wire transfer requests demonstrating that Hotton was wiring funds from Oppenheimer customer accounts to entities that he owned or controlled. This allowed Hotton to transfer more than \$2.9 million from those customers' accounts. Finally, Oppenheimer failed to adequately supervise Hotton's trading of his customers' accounts despite the fact Oppenheimer's surveillance analysts detected Hotton was trading the accounts at presumptively excessive levels.

In addition, FINRA found that Oppenheimer failed to make more than 300 required filings to FINRA about some of its brokers in a timely manner. On average, these filings were 238 days late; and thus, the investing public and other broker-dealers were not timely made aware of serious allegations made against Oppenheimer's registered representatives, including Hotton. Also, during the course of FINRA's investigation, Oppenheimer repeatedly failed to provide timely responses to FINRA requests for information and documents.

Oppenheimer has paid more than \$6 million to resolve customer arbitration claims related to its supervision of Hotton. FINRA ordered \$1.25 million in restitution to 22 additional customers who suffered losses but had not filed arbitration claims.

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

FINRA Sanctions Three Firms for Inadequate Supervision of Consolidated Reports

The Financial Industry Regulatory Authority (FINRA) sanctioned three firms—[H. Beck, Inc.](#), [LaSalle St. Securities, LLC](#), and [J.P. Turner & Company, LLC](#)—with fines of \$425,000, \$175,000 and \$100,000, respectively, for inadequate supervision of consolidated reports provided to customers and other violations.

A consolidated report is a single document that combines information regarding most or all of a customer's financial holdings, regardless of where those assets are held. Consolidated reports supplement, but do not replace official customer account statements required by FINRA rules and disseminated through a separate process. FINRA Regulatory Notice 10-19 reminds firms that consolidated reports must be clear, accurate and not misleading, and if not rigorously supervised, they can raise a number of regulatory concerns, including the potential for communicating inaccurate, confusing or misleading information to customers, lapses in supervisory controls, and the use of these reports for fraudulent or unethical purposes. The Notice also stresses that if a firm is unable to adequately supervise the use of the reports, it must prohibit their dissemination and take steps to ensure that registered representatives comply with the prohibition.

During the course of routine examinations of the firms, FINRA found that numerous registered representatives of the firms prepared and disseminated consolidated reports to customers either without adequate review or any prior review by a principal. H. Beck and J.P. Turner did not have any written procedures specifically addressing the use and supervision of consolidated reports. While LaSalle St. Securities had written procedures related to consolidated reports, it failed to enforce the procedures and did not provide proper training to its representatives regarding their use.

Across each firm, many registered representatives utilized consolidated report systems that allowed them to enter customized values for accounts or investments held away from the firm yet the firms' procedures did not provide safeguards, such as requiring supporting data, to verify accuracy.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, "Inadequate controls around consolidated reporting create the risk that unscrupulous representatives will provide inaccurate and misleading reports to their clients to conceal fraud and theft. These actions along with previous actions involving consolidated reports should be a message to firms that we will continue to examine for this issue and sanction firms that are not supervising this function properly."

In concluding these settlements, [H. Beck, Inc.](#), [LaSalle St. Securities](#) and [J.P. Turner](#) neither admitted nor denied the charges, but consented to the entry of FINRA's findings.