

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

STEPHEN JAMES SULLIVAN  
(CRD No. 3123249),

Respondent.

Disciplinary Proceeding  
No. 2018056490311

Hearing Officer–BDC

**DEFAULT DECISION**

August 23, 2024

**Respondent is barred from associating with any FINRA member firm in any capacity for failing to provide testimony and failing to provide documents and information requested in connection with a FINRA investigation, in violation of FINRA Rules 8210 and 2010.**

*Appearances*

For the Complainant: John Sheehan, Esq., Carolyn Craig, Esq., and Michael Manly, Esq.,  
Department of Enforcement, Financial Industry Regulatory Authority

For the Respondent: No appearance

**DECISION**

**I. Introduction**

The Department of Enforcement filed a Complaint against Respondent Stephen J. Sullivan alleging that he failed to provide on-the-record (“OTR”) testimony, information, and documents requested pursuant to FINRA Rule 8210 in connection with an investigation into potential churning and excessive trading in his customers’ accounts. As a result, the Complaint alleged, Sullivan violated FINRA Rules 8210 and 2010. When Sullivan failed to answer the Complaint, the original Hearing Officer in this matter ordered Enforcement to file a motion for entry of a default decision supported by a memorandum of law and a declaration.<sup>1</sup>

On July 17, 2024, Enforcement filed its motion for entry of a default decision (“Default Motion”) along with a memorandum of law, a declaration from Enforcement Senior Counsel

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<sup>1</sup> The Chief Hearing Officer reassigned this matter to me on July 22, 2024.

John Sheehan, Esq. (“Sheehan Decl.”), and 16 exhibits (CX-1 through CX-16) in support of the Default Motion. Sullivan did not respond to the Default Motion.

For the reasons set forth below, I grant the Default Motion, deem the allegations in the Complaint admitted, and bar Sullivan from associating with any FINRA member in any capacity.

## **II. Findings of Fact and Conclusions of Law**

### **A. Background**

Sullivan first became registered with FINRA through his association with a FINRA member firm in 1998 and remained registered through associations with numerous FINRA member firms until October 2022.<sup>2</sup> He was registered with Spartan Capital Securities, LLC (“Spartan”) as a General Securities Representative from November 2019 until October 5, 2022, when Spartan filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Sullivan had voluntarily terminated his association with the firm.<sup>3</sup>

### **B. Jurisdiction**

Sullivan has not been registered with a FINRA member firm since October 5, 2022.<sup>4</sup> Although he is not currently associated with a FINRA member firm, FINRA has jurisdiction over this disciplinary proceeding pursuant to Article V, Section 4(a) of FINRA’s By-Laws because (i) Enforcement filed the Complaint within two years of the effective date of the Form U5 that terminated Sullivan’s association with a member firm, and (ii) the Complaint charges him with failing to appear for an OTR and failing to respond to requests for documents and information issued by FINRA staff within two years of the termination of his registration.<sup>5</sup>

### **C. Origin of the Investigation**

In September 2023, FINRA commenced an investigation of Sullivan’s potential churning and excessive trading in four customers’ accounts at Spartan.<sup>6</sup> As part of its investigation, FINRA requested that Sullivan appear for OTR testimony<sup>7</sup> and that he provide documents and information related to his communications with customers.<sup>8</sup>

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<sup>2</sup> Complaint (“Compl.”) ¶¶ 2–3; Sheehan Decl. ¶ 7; CX-1, at 5–22.

<sup>3</sup> Compl. ¶¶ 3, 4; Sheehan Decl. ¶¶ 7–8; CX-1, at 5, 6, 26.

<sup>4</sup> Compl. ¶ 5; Sheehan Decl. ¶ 8; CX-1, at 5, 26.

<sup>5</sup> Compl. ¶ 6; Sheehan Decl. ¶ 10.

<sup>6</sup> Compl. ¶ 7; Sheehan Decl. ¶ 4.

<sup>7</sup> Compl. ¶¶ 8, 16; Sheehan Decl. ¶ 5.

<sup>8</sup> Compl. ¶¶ 23, 29; Sheehan Decl. ¶ 6.

#### **D. Respondent Defaulted by Failing to Answer the Complaint**

Enforcement served Sullivan with the First and Second Notices of Complaint and the Complaint in accordance with FINRA Rules 9131 and 9134. Enforcement served the First Notice of Complaint and Complaint on April 30, 2024,<sup>9</sup> and the Second Notice of Complaint and Complaint on May 29, 2024.<sup>10</sup> In each case, Enforcement served Sullivan by United States Postal Service (“USPS”) certified mail, return receipt requested, and FedEx at his last known residential address recorded in the Central Registration Depository (“CRD”).<sup>11</sup> Sullivan therefore received valid constructive notice of this proceeding.

Pursuant to FINRA Rule 9215, Sullivan was required to file an Answer or otherwise respond to the Complaint by June 17, 2024. Sullivan did not respond. As a result, I find Sullivan in default and deem the allegations in the Complaint admitted under FINRA Rules 9215(f) and 9269(a)(2).<sup>12</sup>

#### **E. Governing Law**

The Complaint charges Sullivan with violating FINRA Rule 8210. This rule requires persons subject to FINRA’s jurisdiction to provide documents and information to FINRA upon request for the purpose of an investigation, complaint, examination, or proceeding.<sup>13</sup> Rule 8210(a)(2) authorizes FINRA to “inspect and copy the books, records, and accounts” of persons subject to its jurisdiction “with respect to any matter involved in [an] investigation . . . that is in such . . . person’s possession, custody, or control.” Rule 8210(c) provides that “[n]o member or person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule.”

Constructive notice of the request, not actual notice of it, “is all that FINRA Rule 8210 demands.”<sup>14</sup> Under Rule 8210, a formerly registered person is deemed to have received a FINRA Rule 8210 request if it was mailed or otherwise transmitted to their “last known residential address . . . as reflected in [CRD].”<sup>15</sup> If the FINRA staff responsible for sending the request actually knows “that the address in [CRD] is out of date or inaccurate” and knows of another

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<sup>9</sup> Sheehan Decl. ¶ 33; CX-13; CX-14.

<sup>10</sup> Sheehan Decl. ¶ 40; CX-15; CX-16.

<sup>11</sup> Sheehan Decl. ¶¶ 33, 40; CX-13; CX-14; CX-15; CX-16. Enforcement also sent the First and Second Notices of Complaint and Complaint to Respondent via USPS first-class mail and Sullivan’s email addresses. Sheehan Decl. ¶¶ 33, 40. Enforcement had no actual knowledge that the CRD address was out of date. Sheehan Decl. ¶¶ 30, 41.

<sup>12</sup> Sullivan is notified that he may move to set aside the default under FINRA Rule 9269(c) upon a showing of good cause.

<sup>13</sup> FINRA Rule 8210(a), (c).

<sup>14</sup> *Dep’t of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at \*36 (NAC June. 3, 2014), *aff’d*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

<sup>15</sup> FINRA Rule 8210(d).

“more current address,” then it must also mail or transmit a copy of the request to that other address.<sup>16</sup>

Rule 8210 “is at the heart of the self-regulatory system for the securities industry.”<sup>17</sup> It “provides a means, in the absence of subpoena power, for [FINRA] to obtain from its members information necessary to conduct investigations.”<sup>18</sup> The rule “is unequivocal and grants FINRA broad authority to obtain information concerning an associated person’s securities-related business ventures.”<sup>19</sup> Associated persons must cooperate fully in providing FINRA with information.<sup>20</sup> It is therefore a violation of Rule 8210 for a person to fail to provide information sought by FINRA.<sup>21</sup>

Sullivan is also charged with violating FINRA Rule 2010, which requires a FINRA member “in the conduct of its business” to “observe high standards of commercial honor and just and equitable principles of trade.”<sup>22</sup> This Rule also applies to persons associated with a member, as they “have the same duties and obligations as a member under the Rules.”<sup>23</sup> It is well established that “[a] violation of FINRA Rule 8210 constitutes a violation of FINRA Rule 2010.”<sup>24</sup>

#### **F. Sullivan Failed to Provide Testimony Requested Under FINRA Rule 8210**

On November 30, 2023, FINRA sent Sullivan—through his counsel—a letter pursuant to Rule 8210 requesting that Sullivan appear for OTR testimony on January 9, 2024 (“the First

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<sup>16</sup> *Id.*

<sup>17</sup> *Howard Brett Berger*, Exchange Act Release No. 58950, 2008 SEC LEXIS 3141, at \*13 (Nov. 14, 2008), *petition for review denied*, 347 F. App’x 692 (2d Cir. 2009).

<sup>18</sup> *Id.* (quoting *Richard J. Rouse*, Exchange Act Release No. 32658, 1993 SEC LEXIS 1831, at \*7 (July 19, 1993)).

<sup>19</sup> *Dep’t of Enforcement v. Gallagher*, No. 2008011701203, 2012 FINRA Discip. LEXIS 61, at \*12 (NAC Dec. 12, 2012).

<sup>20</sup> *See CMG Inst’l Trading, LLC*, Exchange Act Release No. 59325, 2009 SEC LEXIS 215, at \*21 (Jan. 30, 2009) (member firms and their associated persons have an obligation to respond to FINRA’s requests for information “fully and promptly”). *See also Dep’t of Enforcement v. Vedovino*, No. 2015048362402, 2019 FINRA Discip. LEXIS 20, at \*20 (NAC May 15, 2019) (Rule 8210 “requires associated persons to comply fully with FINRA’s requests for information, testimony, and documents with respect to any matter involved in a FINRA investigation, complaint, examination, or proceeding.”).

<sup>21</sup> *See Dep’t of Enforcement v. Felix*, No. 2018058286901, 2021 FINRA Discip. LEXIS 7, at \*20 (NAC May 26, 2021) (respondent violated Rule 8210 by failing to produce his Internal Revenue Service wage and income transcript), *appeal docketed*, No. 3-20380 (SEC June 28, 2021).

<sup>22</sup> FINRA Rule 2010.

<sup>23</sup> FINRA Rule 0140(a).

<sup>24</sup> *Dep’t of Enforcement v. DiPaola*, No. 2018057274302, 2023 FINRA Discip. LEXIS 4, at \*37 n.18 (NAC Mar. 23, 2023) (citing *Blair C. Mielke*, Exchange Act Release No. 75981, 2015 SEC LEXIS 3927, at \*41 n.49 (Sept. 24, 2015)), *appeal docketed*, No. 3-21402 (SEC May 1, 2023).

OTR Request”).<sup>25</sup> Sullivan appeared with counsel at the OTR via Zoom on January 9, 2024 and testified for almost five hours.<sup>26</sup> At approximately 3:00 p.m., FINRA asked Sullivan whether he changed the investment strategy he recommended to his customers following the implementation of Regulation Best Interest.<sup>27</sup> Sullivan refused to answer the question and stated that he would not provide additional testimony.<sup>28</sup> He then ended the OTR.<sup>29</sup> At the time that Sullivan terminated the OTR, Enforcement still had a substantial number of questions remaining, including questions about Sullivan’s trading in three other customers’ accounts.<sup>30</sup> On January 17, 2024, Sullivan’s counsel notified FINRA that he was no longer representing Sullivan.<sup>31</sup>

On January 18, 2024, FINRA sent Sullivan a letter pursuant to Rule 8210 requesting that he appear for OTR testimony on February 2, 2024 (“the Second OTR Request”) to complete his testimony.<sup>32</sup> FINRA sent the Second OTR Request via USPS certified mail, return receipt requested, and USPS first-class mail to Sullivan’s last known residential address as reflected in CRD.<sup>33</sup> Sullivan had recently provided the same address (as indicated in CRD) on the background questionnaire he completed prior to his January 9, 2024 OTR.<sup>34</sup> The Second OTR Request was “Delivered, Left with Individual” and signed for on January 22, 2024, according to the electronic tracking information associated with the certified mailing.<sup>35</sup> Sullivan did not appear for the second OTR on February 2, 2024 and did not request a postponement or otherwise respond to the Second OTR Request.<sup>36</sup>

### **G. Sullivan Failed to Provide Documents and Information Requested Under FINRA Rule 8210**

On January 18, 2024, FINRA also sent Sullivan a letter pursuant to FINRA Rule 8210 requesting documents and information related to Sullivan’s communications with his customers at Spartan, including telephone and cell phone records and text messages (“the First Information

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<sup>25</sup> Compl. ¶ 8; Sheehan Decl. ¶ 11; CX-2.

<sup>26</sup> Compl. ¶¶ 9–10; Sheehan Decl. ¶ 12.

<sup>27</sup> Compl. ¶ 11; CX-4, at 165–67.

<sup>28</sup> Compl. ¶ 11; CX-4, at 165–67.

<sup>29</sup> Compl. ¶¶ 11–12; CX-4, at 166–68.

<sup>30</sup> Compl. ¶ 13; Sheehan Decl. ¶ 5.

<sup>31</sup> Compl. ¶ 15; Sheehan Decl. ¶ 5; CX-5.

<sup>32</sup> Compl. ¶ 16; Sheehan Decl. ¶ 5; CX-6.

<sup>33</sup> Compl. ¶ 17; Sheehan Decl. ¶ 13; CX 6. FINRA also sent a copy of the Second OTR Request to Sullivan’s personal email addresses, which he had identified on the background questionnaire he provided to FINRA before his first OTR. Compl. ¶ 18.

<sup>34</sup> Compl. ¶ 17.

<sup>35</sup> Compl. ¶ 19; Sheehan Decl. ¶ 15; CX-7.

<sup>36</sup> Compl. ¶¶ 21, 22; Sheehan Decl. ¶¶ 5, 16.

Request”).<sup>37</sup> FINRA sent the request in connection with its investigation into Sullivan’s possible churning and excessive trading in his customers’ accounts.<sup>38</sup> FINRA sent the First Information Request via USPS certified mail, return receipt requested, and USPS first-class mail to Sullivan’s CRD address and provided a due date of February 1, 2024.<sup>39</sup> FINRA also sent copies of the First Information Request to Sullivan’s email addresses.<sup>40</sup> The certified mailing was delivered and signed for on January 22, 2024.<sup>41</sup> The first-class mailing was not returned to FINRA.<sup>42</sup> Sullivan did not respond to the First Information Request and did not request an extension of time to respond.<sup>43</sup>

On February 2, 2024, FINRA sent Sullivan a second written request for information and documents pursuant to Rule 8210 (“the Second Information Request”) repeating the request it initially made on January 18, 2024.<sup>44</sup> FINRA sent the Second Information Request via USPS certified mail, return receipt requested, and USPS first-class mail to Sullivan’s CRD address and provided a due date of February 16, 2024.<sup>45</sup> The Second Information Request sent by USPS certified mail was delivered and signed for on February 7, 2024.<sup>46</sup> The first-class mailing was not returned to FINRA.<sup>47</sup> Enforcement also sent a copy of the Second Information Request to Sullivan’s email addresses.<sup>48</sup> On February 2, 2024, Sullivan responded to FINRA staff’s email containing the Second Information Request and stated he would not respond to any requests for documents or information.<sup>49</sup> Sullivan did not otherwise respond to the Second Information Request and did not request an extension of time to respond.<sup>50</sup>

FINRA properly served the Second OTR Request and the First and Second Information Requests pursuant to the service provisions of FINRA Rule 8210(d). Enforcement (1) mailed or otherwise transmitted the requests to Sullivan’s last known residential address as reflected in

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<sup>37</sup> Compl. ¶ 23; Sheehan Decl. ¶¶ 6, 17; CX-8.

<sup>38</sup> Compl. ¶ 23; Sheehan Decl. ¶ 17.

<sup>39</sup> Compl. ¶¶ 23, 24; Sheehan Decl. ¶¶ 17, 18; CX-8.

<sup>40</sup> Compl. ¶ 25; CX-8.

<sup>41</sup> Compl. ¶ 26; Sheehan Decl. ¶ 20; CX-9.

<sup>42</sup> Compl. ¶ 27; Sheehan Decl. ¶ 21.

<sup>43</sup> Compl. ¶ 28; Sheehan Decl. ¶ 22.

<sup>44</sup> Compl. ¶ 29; Sheehan Decl. ¶ 23; CX-10.

<sup>45</sup> Compl. ¶¶ 29, 30; Sheehan Decl. ¶¶ 23, 24; CX-10.

<sup>46</sup> Compl. ¶ 32; Sheehan Decl. ¶ 26; CX-11.

<sup>47</sup> Compl. ¶ 33; Sheehan Decl. ¶ 27.

<sup>48</sup> Compl. ¶ 31; Sheehan Decl. ¶ 24; CX-10.

<sup>49</sup> Compl. ¶ 34; Sheehan Decl. ¶¶ 6, 28; CX-12.

<sup>50</sup> Compl. ¶ 35; Sheehan Decl. ¶¶ 6, 28.

CRD and (2) lacked actual knowledge that this address was outdated or inaccurate.<sup>51</sup> As a result, I deem Sullivan to have received constructive notice of the requests.<sup>52</sup> I further find that Sullivan received actual notice of the Second Information Request because he responded to FINRA staff by email after receiving it, acknowledging receipt, and stating that he would not be responding to any information requests from FINRA.<sup>53</sup>

By failing to provide testimony, documents and information requested by FINRA staff, Sullivan violated FINRA Rules 8210 and 2010.

### III. Sanctions

FINRA's Sanction Guidelines ("Guidelines") recommend that if an individual does not respond in any manner to a request made pursuant to Rule 8210, a bar should be standard.<sup>54</sup> In cases where an individual provides a partial but incomplete response, a bar is standard "unless the person can demonstrate that the information provided substantially complied with all aspects of the request."<sup>55</sup> The Principal Considerations in determining sanctions for a partial but incomplete response to a Rule 8210 request are (1) the importance of the information requested that was not provided, as viewed from FINRA's perspective, and whether the information that was provided was relevant and responsive to the request; (2) the number of requests FINRA made, the time the respondent took to respond, and the degree of regulatory pressure required to obtain a response; and (3) whether respondent thoroughly explained valid reasons for the deficiencies in the response.<sup>56</sup>

While Sullivan testified for several hours during his first OTR, he ultimately refused to answer any additional questions and abruptly ended the OTR despite FINRA staff having additional questions, including questions about Sullivan's trading in three other customers' accounts. He then failed to appear at a second scheduled OTR requested pursuant to FINRA Rule 8210. He also did not provide any documents or information in response to the First and Second Information Requests issued pursuant to FINRA Rule 8210. The additional testimony, documents, and information FINRA sought were material to FINRA's investigation into Sullivan's potential churning and excessive trading in customer accounts at Spartan.<sup>57</sup>

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<sup>51</sup> Compl. ¶¶ 17, 24, 30; Sheehan Decl. ¶¶ 13–14, 18–19, 24–25.

<sup>52</sup> *Dep't of Enforcement v. Felix*, No. 2020065128501, 2022 FINRA Discip. LEXIS 13, at\*16 (NAC Oct. 13, 2022) ("Because FINRA properly served the FINRA Rule 8210 requests, Felix is deemed to have received them. See FINRA Rule 8210(d)."), *aff'd*, Exchange Act Release No. 100662, 2024 SEC LEXIS 1860 (Aug. 6, 2024).

<sup>53</sup> CX-12.

<sup>54</sup> Guidelines at 93 (2024), [https://www.finra.org/sites/default/files/Sanctions\\_Guidelines.pdf](https://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf).

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

<sup>57</sup> Compl. ¶¶ 44, 50.

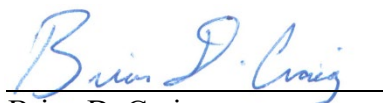
Enforcement maintains that Sullivan's failure to provide the documents and information requested impeded FINRA's investigation.<sup>58</sup>

Considering the foregoing, and because I find there are no mitigating factors, the appropriate sanction is a bar in all capacities. In light of the bar, I do not also impose a fine.<sup>59</sup>

#### IV. Order

Enforcement's Default Motion is **GRANTED**. For violating FINRA Rules 8210 and 2010 by failing to provide testimony, documents, and information as required by FINRA Rule 8210, Respondent Stephen J. Sullivan is barred from associating with any FINRA member firm in any capacity. The bar shall become effective immediately if this Default Decision becomes FINRA's final disciplinary action.

**SO ORDERED.**



Brian D. Craig  
Hearing Officer

Copies to:

Stephen James Sullivan (via email, overnight courier, and first-class mail)  
John Sheehan, Esq. (via email)  
Michael Manly, Esq. (via email)  
Carolyn Craig, Esq. (via email)  
Jennifer L. Crawford, Esq. (via email)

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<sup>58</sup> Compl. ¶¶ 44, 50.

<sup>59</sup> Guidelines at 9 (Technical Matters) ("Adjudicators generally should not impose a fine if an individual is barred and there is no customer loss."). The record in this case did not demonstrate customer loss.