

# Disciplinary and Other FINRA Actions

## Firms Fined, Individuals Sanctioned

HLM Securities, Inc. (CRD® #133216, Chicago, Illinois) and Terrance Richard Hennessy (CRD #1072712, Valparaiso, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$100,000, of which \$10,000 is joint and several with Hennessy. Hennessy was assessed a deferred fine of \$50,000, which includes the \$10,000 joint and several fine, and suspended from association with any FINRA member in any capacity for 18 months. Without admitting or denying the findings, the firm and Hennessy consented to the sanctions and to the entry of findings that although the firm was aware, Hennessy failed to provide written notice to the firm prior to, or even subsequent to, his participation in the purchase of membership interests in limited-liability companies, as required by the firm's written supervisory procedures (WSPs). The findings stated that Hennessy's failure to provide written notice of his participation in the private securities transactions, as well as the firm's failure to include those transactions in its books and records, deprived FINRA® of its ability to oversee Hennessy's and the firm's securities activities, since the firm did not have any record of those activities. FINRA's inability to oversee the securities activities was compounded by Hennessy's misleading and evasive responses to FINRA during its investigation. Hennessy provided contradictory and misleading responses to customer complaints regarding his involvement in the purchase of membership interests. Hennessy's misleading responses impeded and delayed FINRA's investigation of Hennessy's and the firm's involvement in the one of the limited-liability companies.

The findings also stated that the firm failed to supervise private securities transactions and include them in its books and records, which also deprived FINRA of its ability to oversee the firm. Although the firm's WSPs set forth procedures to follow in the event the firm is notified of a private securities transaction, the firm failed to follow the procedures. Specifically, the WSPs required the president of the firm, which was Hennessy, to verify that the firm has received sufficient information regarding the proposed private securities transactions in order to determine whether it needs to be included in the firm's books and records and in order to supervise the transaction. The president was also required to advise the associated person in writing if the transaction is approved or disapproved. The firm knew about the transactions and did not follow its own procedures to ensure the proper recording and supervision of the transactions.

## Reported for June 2014

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

The findings also included that the firm adopted WSPs pertaining to private securities transactions, but failed to adhere to and execute the WSPs. Hennessy, as the firm's President and Chief Compliance Officer (CCO), failed to implement any procedures or controls to determine whether his firm's registered representatives engaged in private securities transactions, and if so, to determine what, if any, responsibilities the firm had to supervise the transactions and include them in its book and records. The firm failed to obtain necessary information about the private securities transactions of its registered representatives about which they were aware, contrary to the specific requirements set forth in its WSPs.

FINRA found that Hennessy willfully failed to disclose a judgment on his Uniform Application for Securities Industry Registration or Transfer (Form U4) and made an affirmative misrepresentation on a Form U4 amendment. Hennessy was the firm principal in charge of Form U4 disclosures and understood that the judgment was required to be disclosed. Hennessy knew about an individual's disclosable events, yet he did not ensure that they were disclosed on the individual's Form U4, and did not ensure accurate reporting on the individual's Uniform Termination Notice for Securities Industry Registration (Form U5). FINRA also found that Hennessy was involved in outside business activities that he did not disclose to the firm. The undisclosed outside business activities were separate entities that Hennessy created, or participated in their creation, for a variety of business purposes, and of which Hennessy was an officer, director, owner, member and/or registered agent. This failure also deprived FINRA of the ability to properly oversee the firm and its registered representatives because there was no written record of these activities. Hennessy's failure to disclose his outside business activities was willful since, as the principal responsible for Form U4 disclosures, Hennessy was aware of the scope of the disclosure requirements, yet failed to appropriately make his own disclosures. This failure to disclose not only deprived FINRA of its oversight over Hennessy's outside business activities, it also deprived the investing public of material information regarding Hennessy's activities. In addition, FINRA determined that the firm and Hennessy failed to implement proper supervisory procedures designed to comply with outside business activity disclosures of its registered representatives, and failed to enforce their own procedures to ensure accurate and timely reporting of disclosable events and outside business activities.

The suspension is in effect from April 7, 2014, through October 6, 2015. ([FINRA Case #2012034822601](#))

**World Trade Financial Corporation** ([CRD #42638](#), San Diego, California), **Jason Troy Adams** ([CRD #2137404](#), La Mesa, California), **Frank Edward Brickell** ([CRD #3257725](#), Encinitas, California) and **Rodney Preston Michel** ([CRD #1275392](#), San Diego, California). The firm was fined a total of \$45,000 and is prohibited from receiving and selling unregistered securities until it obtains an independent consultant to review its procedures. Adams was fined \$20,000 and suspended from association with any FINRA member in any principal capacity for 30 business days. Brickell was fined \$15,000 and suspended from association

with any FINRA member in any capacity for 30 business days. Michel was fined \$30,000 and suspended from association with any FINRA member in any principal capacity for 45 days. The United States Court of Appeals denied an appeal for review of the Securities and Exchange Commission (SEC) decision.

The sanctions were based on findings that the firm and Brickell sold unregistered shares of an entity's security using interstate means, without a registration statement in effect or filed with the SEC. The findings stated that the firm sold 2.3 million shares of a thinly traded penny stock on behalf of customers who held accounts with the firm. The firm and Brickell claimed their transactions were exempt under Securities Act of 1933 Section 4(4), but failed to meet their burden of establishing that the exemption applied to their sales. The findings also stated that in connection with these sales, the firm, Adams, and Michel failed to supervise Brickell with a view to ensuring compliance with the Securities Act of 1933 and NASD® rules. Adams, Michel and the firm ignored key "red flags" that should have prompted them to investigate whether Brickell was participating in an unlawful distribution. Adams, the day-to-day supervisor, admittedly knew that Brickell was selling large blocks of recently issued shares of a little-known penny stock, without registration, for customers with known ties to stock promotion. Michel, like Adams, reviewed the firm's trade blotters and customer account statements and monitored Brickell. Had Michel properly done so, he would have found that Brickell's sales of the entity's securities presented the classic warning signs of an unregistered distribution. Such red flags required both supervisors to respond promptly and decisively by investigating whether Brickell's sales complied with the registration requirements. Neither supervisor conducted any investigation into Brickell's sales, nor did they require registered representatives to conduct any inquiry into the stock they sold for customers. The findings also included that the firm's written procedures were deficient. While a large portion of the firm's business comprised unregistered stock sales on the Pink Sheets, the firm's procedures were poorly designed to supervise this type of business and were not reasonably designed to deter or detect misconduct. The supervisory manual lacked meaningful guidance setting forth reasonable inquiry procedures for registered representatives to follow when customers sought to sell large amounts of an unknown stock to the public without registration.

Adams' suspension is in effect from May 19, 2014, through June 30, 2014. Brickell's suspension is in effect from May 19, 2014, through June 30, 2014. Michel's suspension is in effect from May 19, 2014, through July 2, 2014. ([FINRA Case #2005000075703](#))

## Firms Fined

**ACAP Financial Inc. (CRD #7731, Salt Lake City, Utah)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 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 the firm transmitted reports to the Order Audit

Trail System (OATS™) that contained inaccurate, incomplete or improperly formatted data. The reports contained inaccurate directed order (DIR) special handling codes, and two of the reports that contained inaccurate DIR special handling codes also contained inaccurate Time-In-Force codes. 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 rules. The firm's WSPs failed to provide for one or more of the minimum requirements for adequate supervisory procedures, in the subject areas of sales transactions, other trading rules, OATS and other rules. The findings also stated that the firm failed to provide documentary evidence on the trade date(s) reviewed in the Trading and Market Making (TMMS) examination that it performed the supervisory reviews set forth in its WSPs concerning order handling; supervisory system, procedures and qualifications; best execution; anti-intimidate/coordination; trade reporting; sales transactions; and other rules. ([FINRA Case #2012031506901](#))

**BGC Financial, L.P. (CRD #19801, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report to the Trade Reporting and Compliance Engine® (TRACE®) the correct trade execution time for transactions in TRACE-eligible securitized products. The findings stated that the firm failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of execution time, failed to show the correct execution time on brokerage order memoranda, and failed to report transactions in TRACE-eligible securitized products to TRACE within 15 minutes of the execution time. The firm failed to report to TRACE the correct trade execution time for S1 transactions in corporate debt securities and TRACE-eligible agency debt securities, failed to report to TRACE S1 transactions in TRACE-eligible agency debt securities within 15 minutes of the execution time, and failed to report to TRACE large-block S1 transactions within 15 minutes of the execution time. ([FINRA Case #2013036788301](#))

**BNP Paribas Securities Corp. (CRD #15794, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that the firm transmitted Execution or Combined Order/Execution Reports to OATS that contained inaccurate, incomplete or improperly formatted data. The findings stated that because of the inaccurate, missing or improperly formatted data, OATS was unable to link the execution reports to the related trade reports in a FINRA trade reporting system. ([FINRA Case #2012033873101](#))

**Carolina Financial Securities, LLC (CRD #41970, Brevard, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$50,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold a private placement offering that was unregistered

pursuant to the exemption provided within Rule 506 of Regulation D to investors for a total investment of approximately \$1.1 million. The findings stated that the firm had procedures in place for the supervision of the sale of private placements, but failed to follow its own procedures for the review and verification of statements made in offering documents. The firm failed to conduct adequate due diligence of the offering before approving it for sale to its customers. The firm failed to ensure that the offering's private placement memorandum (PPM) included all material information about the offering. The firm failed to review the final version of the underlying loan agreement for the property that was the subject of the offering, and did not discover that the PPM failed to disclose a material capital call provision in the loan agreement. The firm approved the offering for sale to its customers without independently verifying the representations about the loan agreement made in the PPM. ([FINRA Case #2011025755101](#))

**ConvergEx Execution Solutions LLC** ([CRD #35693](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$425,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that, as the result of two separate programming errors, it submitted inaccurate Regulation NMS Rule 605 reports related to the execution of covered orders in its alternative trading systems. The findings stated that as a result of programming errors, the firm also submitted inaccurate Regulation NMS Rule 606 reports. The firm incorrectly reported long sales to the Trade Reporting Facility (TRF) with a short sale indicator. The firm, as the result of a programming error, over-reported transactions to the TRF. The findings also stated that the firm's general practice was to orally inform subscribers of its Indications of Interest (IOIs) practices prior to the institution of those practices and during the on-boarding process, and to provide an opportunity to opt out of the IOI process. The firm, however, could not establish through its records that oral or written disclosure of its IOI practices had been provided to every subscriber prior to using IOIs based on subscriber orders as part of the X-Streaming process. As a result, not all subscribers were aware, and the firm could not confirm that they were aware, of X-Streaming. The findings also stated that the firm failed to establish and maintain a system to supervise the activities of its associated persons in the marketing and management of an alternative trading system, and reasonably designed to achieve compliance with Rules 605 and 606 of Regulation NMS and FINRA Rules 7230A and B and 6380A and B. ([FINRA Case #2012033096901](#))

**Corinthian Partners, L.L.C.** ([CRD #38912](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it retained an unregistered individual who acted on the firm's behalf in a capacity requiring registration with FINRA, even though he was not a registered person. The findings stated that the individual used his firm email account to communicate with at least three customers regarding their potential participation in a private investment in a public equity (PIPE) transaction, at least one of whom subsequently invested in the transaction. Soliciting investments in a PIPE transaction is an activity that requires

registration, and at the time of his communications, the individual was not registered with FINRA. The firm's public website identified the individual as a contact person for investment-banking matters, even though he was not a registered person. ([FINRA Case #2012030411901](#))

**Dawson James Securities, Inc. (CRD #130645, Boca Raton, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$75,000, 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 the firm's WSPs failed to provide for one or more of the four minimum requirements for adequate WSPs in several subject areas, including registered representatives' disclosure of potential conflicts of interests to clients; registered representatives' trading in the opposite direction of solicited customer transactions; sales practice concerns, including unauthorized trading, suitability, excessive trading and free-riding; concentrations of securities in clients' accounts; sharing of profits or losses in clients' accounts; wash sales; coordinated trading; marking the open and marking the close; cancel-rebill transactions in clients' accounts; and the review of registered representatives' electronic communications. The findings stated that the firm failed to investigate numerous red flags relating to a registered representative's activities. The firm failed to enforce its WSPs, which specified that all electronic correspondence, whether incoming or outgoing, would be reviewed on a daily basis. The firm failed to ensure that its head trader was reasonably carrying out his delegated supervisory responsibilities relating to proprietary trading, trade reporting, clock synchronization, short sale compliance, compliance with the Manning Rule, mark ups and mark downs, and compliance with inventory guidelines. ([FINRA Case #2008012546802](#))

**GFI Securities LLC (CRD #19982, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The findings stated that the firm failed to report to TRACE the correct trade execution time for transactions in TRACE-eligible securities, and failed to show the execution time on brokerage order memoranda. ([FINRA Case #2010023769301](#))

**Gilford Securities Incorporated (CRD #8076, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$125,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it published research reports that failed to disclose that the research analyst received compensation consisting of commissions on transactions by the analyst's customers in the securities the analyst covered. The findings stated that the front page of the firm's research reports purported to refer to the page of the report on

which the disclosures were found. However, the front page references to disclosures were deficient. The firm authorized a research analyst to post research-related information and recommendations from firm research reports on his blog without including either disclosures required by NASD Rule 2711(h) or links to the research reports containing the disclosures. The findings also stated that the firm failed to adequately implement its supervisory procedures concerning the disclosure of actual, material conflicts of interest and the disclosure of, or reference to, disclosures required by Rule 2711(h). The firm published research reports and was unable to evidence the approval of a portion of these reports, and was unable to provide documentation that would evidence approval of the remaining research reports prior to their dissemination. The firm failed to establish, maintain and enforce written supervisory control policies and procedures (WSCPs) that were reasonably designed to provide heightened supervision over the activities of five producing managers who were responsible for generating 20 percent or more of the revenue of the business units supervised by the producing managers' supervisors. The firm failed to notify FINRA of its reliance upon the "Limited Size and Resources" Exception, and failed to establish, maintain and enforce WSCPs that were reasonably designed to ensure compliance with that exception. The findings also included that the firm failed to implement anti-money laundering compliance program (AMLCP) procedures by failing to verify the identity of new customers opening new accounts and failing to resolve substantive discrepancies discovered when verifying the identifying information of new customers opening new accounts. ([FINRA Case #2012030416501](#))

**Goldman, Sachs & Co. ([CRD #361](#), New York, New York)** submitted a Letter of Acceptance, Waiver and Consent 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 implement reasonable procedures, including appropriate testing, to ensure that the order-routing logic in its trading systems was updated to account for all current market venues to which it routed orders to prevent trade-throughs of protected quotations in NMS stocks. The findings stated that, as a result, at various times, the firm's systems failed to route intermarket sweep orders (ISOs) to BATS Y-Exchange, Inc., EDGA, Exchange, Inc. and EDGX, Exchange, Inc., as required by SEC Rule 611(a)(2) of Regulation NMS. ([FINRA Case #2011028857201](#))

**Howe Barnes Hoefler & Arnett, Inc. ([CRD #2240](#), Chicago, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$200,000. FINRA is not requiring the firm to make restitution payments to its customers because the firm previously reimbursed the affected customers for \$64,231.16, which is the total amount of the excessive mark-ups. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it sold zero-coupon municipal bonds and United States Treasury and Agency Separate Trading of Registered Interest and Principal Securities (STRIPS) to customers and exceeded the firm's mark-up guidelines for these securities. The findings stated that these trades were placed through another FINRA registered broker-dealer, an entity that owns a non-voting 20 percent preferred



stock interest in the firm. The firm was unaware of the number or percentage of the other firm's mark-ups. As a result, firm customers paid excessive mark-ups in municipal bond and STRIPS transactions. The foregoing conduct caused firm customers to pay over \$64,000 more than they otherwise should have paid. The firm has voluntarily provided restitution to its clients in the total amount.

The findings also stated that the firm did not reasonably supervise the mark-ups charged for these transactions and failed to reasonably supervise the communications between its brokers and the other firm's salesman. The firm failed to reasonably enforce its fair pricing reviews in connection with the trades, which resulted in firm customers paying excessive mark-ups. In light of the potential conflict of interest in directing trades to an entity that held a non-controlling interest in the firm, the firm failed to reasonably monitor the appropriateness of the trades with the other firm. ([FINRA Case #2008012367904](#))

**Infinex Investments, Inc. ([CRD #35371, Meriden, Connecticut](#))** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$75,000 and ordered to pay \$287,171.75 in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to subject non-traditional exchange-traded funds (ETFs) to the same level of review as other new products offered for sale to retail brokerage customers. The findings stated that the firm allowed its registered representatives to recommend to customers non-traditional ETFs without performing reasonable diligence to understand the risks and features associated with it. The firm permitted representatives who received minimal training on non-traditional ETFs and who failed to perform reasonable diligence to understand the risks and features of the product, to recommend to customers transactions in non-traditional ETFs. By failing to employ reasonable diligence regarding non-traditional ETFs, the firm missed the opportunity to evaluate critical aspects of these products, including the implications of the daily reset and leverage components and to establish appropriate training and supervision protocols. These recommendations lacked a reasonable basis and were unsuitable.

The findings also stated that some non-traditional ETFs purchases that the firm recommended, acting through several brokers, were also unsuitable under a customer-specific suitability theory, as the recommendations were made to customers with conservative investment objectives and/or risk tolerances. The prospectuses for the non-traditional ETFs that the firm sold generally advised that they should not be held for more than one trading session or as long-term investments. Notwithstanding that statement in the prospectuses, non-traditional ETFs were maintained in customer accounts for longer than seven business days. Customers who had conservative investment objectives and/or risk tolerances and whose ETFs were held for seven or more days lost money on their investments. These unsuitable non-traditional ETF recommendations resulted in customer losses of \$287,171.75. The findings also included that the firm failed to establish and maintain an adequate supervisory system, including WSPs, to monitor and review the



sale of non-traditional ETFs to its retail customers, and failed to establish and maintain specific WSPs for the review of non-traditional ETF transactions. The supervisory reviews that the firm's principals performed of transactions involving non-traditional ETFs were inadequate and failed to incorporate the complexities and unique risks associated with these securities, such as their daily reset and leverage features. Instead, firm principals reviewed non-traditional ETF transactions for suitability in the same manner they reviewed trades involving the firm's other securities products. The firm did not make any changes to its supervisory system to incorporate guidance provided in a FINRA Regulatory Notice in reviewing ETF activity until August 2009, when it implemented WSPs for the review of non-traditional ETFs. The firm failed to employ a system to identify which of the ETFs being sold by the firm's registered representatives were non-traditional and therefore subject to greater scrutiny. Neither the firm's trade blotters nor its general supervisory reports were coded to alert supervisors regarding the length of time customers had been holding non-traditional ETFs. The firm's supervisory system was inadequate to detect and monitor the holding periods of non-traditional ETFs in customer accounts. The firm did not utilize exception reports or other surveillance reports to monitor ETF activity specifically including the classification of ETFs as leveraged or inverse. The firm failed to conduct any training or provide any written guidance for its registered personnel regarding the sale and supervision of non-traditional ETFs. ([FINRA Case #2011025436101](#))

**J.P. Morgan Securities LLC** ([CRD #79](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent 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, within 30 seconds after execution, to transmit to the FINRA/NASDAQ TRF (FNTRF) last sale reports of transactions in designated securities. The findings stated that the firm failed to report the correct execution time to the FNTRF in last sale reports of transactions in designated securities. The firm erroneously media reported riskless principal last sale reports of transactions to the FNTRF. ([FINRA Case #2011029798801](#))

**J.P. Turner & Company, L.L.C.** ([CRD #43177](#), Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$65,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce WSPs reasonably designed to achieve compliance with applicable securities laws and regulations, including laws and regulations prohibiting insider trading and NASD Rule 3050, which requires registered representatives to have duplicate copies of account statements for personal brokerage accounts sent to their employer member firms. The findings stated that two registered representatives disclosed outside brokerage accounts, but the firm failed to monitor the transactions in those accounts. In both instances, the firm failed to receive any confirmation or account statements related to the outside brokerage accounts. The firm did not have any procedures in place to track whether it was receiving statements for disclosed accounts and remained unaware of the missing statements. The findings also stated that the firm served as the placement agent for a \$3.9 million contingency offering.

The subscription agreement provided for establishment of an escrow account and for investors to wire their investments to the escrow account. Despite these representations, no escrow account was established. Instead, investor funds were wired directly from their accounts to the title company handling the closing of the transaction. Despite the fact that the offering had not received the \$3.9 million in bona fide investments required to close, the firm closed the offering and caused the title company to release the deposited funds to the issuer. The firm served as the placement agent for another offering. Despite the fact that the requisite \$2.5 million had not been collected, the firm caused the escrow agent to prematurely disburse funds from the escrow account. As a result, the firm willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-9. The findings also included that the firm did not deliver an official statement (OS) in connection with the sales of municipal securities. Instead, the firm included a statement in the trade confirmations it issued advising the customers that, “complete information will be provided upon request.” Such notice does not satisfy the requirements of Municipal Securities Rulemaking Board (MSRB) Rule G-32(a)(iii)(B). ([FINRA Case #2011025756301](#))

**Moloney Securities Co., Inc. ([CRD #38535](#), Manchester, Missouri)** submitted a Letter of Acceptance, Waiver and Consent 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 allowed its representatives to recommend and sell non-traditional ETFs to customers. The findings stated that the firm’s WSPs did not address the sale or supervision of non-traditional ETFs, and the firm did not conduct due diligence of non-traditional ETFs before allowing its representatives to recommend and sell them to customers. Despite the unique features and notable risk factors of non-traditional ETFs, the firm did not provide its representatives or supervisors with any training or other guidance specific to whether and when non-traditional ETFs might be appropriate for their customers. The firm did not use or make available to its supervisory personnel any reports or other tools to monitor either the length of time that customers held open positions in non-traditional ETFs or any losses occurring in those positions. The firm failed to establish and maintain a supervisory system, including written policies and procedures, regarding the sale of non-traditional ETFs that was reasonably designed to achieve compliance with applicable securities laws and regulations. ([FINRA Case #2012034271801](#))

**National Alliance Securities, LLC ([CRD #39455](#), Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to report transactions to TRACE that were not previously reported. 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 securities that it was required to report to TRACE. ([FINRA Case #2012034552901](#))

**Pinnacle Capital Markets, LLC ([CRD #119606](#), Raleigh, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have adequate risk management controls and supervisory

procedures relating to the firm's provision of direct market access. The findings stated that the firm's controls and procedures were not adequate to comply with the requirements of SEC Rule 15c3-5(c)(1)(ii), in that they did not identify a person responsible for supervision with respect to the rule, outline the supervisory steps to be taken by such person, or provide for documentation of the supervisory steps. The firm's trading platforms were not designed to adequately prevent the entry of erroneous orders by rejecting orders received over a short period of time or that had other indicia of duplicative orders. ([FINRA Case #2012030589701](#))

**Polar Investment Counsel, Inc. (CRD #42847, Thief River Falls, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent 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 its WSPs prohibited registered representatives from recommending low-priced securities, such as penny stocks, to its customers. The findings stated that because all penny-stock transactions at the firm were presumably unsolicited, it did not subject them to adequate supervisory review, but only ensured that the customer had signed a penny stock disclosure form. A firm registered representative brought various penny stocks to the attention of some of his customers, which resulted in orders to buy those securities. The registered representative mistakenly believed that the transactions were unsolicited. Although the registered representative's practice of introducing customers to various penny stocks was known to the firm, it failed to ensure that he understood the distinction between solicited and unsolicited trades. Although the registered representative believed that all the transactions were unsolicited, he only indicated "unsolicited" on a portion of them in the firm's order-entry system. As a result, the firm's order tickets and blotter entries for these transactions were inaccurate. The registered representative inadvertently marked the other transactions as solicited, which was correct, but because the firm did not allow its brokers to recommend penny stock transactions, the firm contacted him about these orders. After confirming that the registered representative had intended to submit the trades as unsolicited, the firm allowed the trades to stand. The firm then treated the transactions as unsolicited, which meant that it did not subject them to adequate supervisory review. ([FINRA Case #2012033783701](#))

**Rafferty Capital Markets, LLC (CRD #23682, Garden City, New York)** submitted a Letter of Acceptance, Waiver and Consent 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 establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception and, if an exception applies, are reasonably designed to assure compliance with the terms of the exception. The findings state that the firm inaccurately appended modifiers to transaction reports submitted to the FNTRF identifying such transactions as qualifying for an exception or exemption from SEC Rule 611 of Regulation NMS. ([FINRA Case #2011030357201](#))

**Salomon Whitney LLC** ([CRD #145012](#), Farmingdale, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, including WSPs, reasonably designed to monitor transactions in leveraged, inverse, and inverse-leveraged ETFs and achieve compliance with NASD/FINRA rules in connection with the sale of non-traditional ETFs to certain retail brokerage customers. The findings stated that despite the risks associated with holding non-traditional ETFs for longer periods, numerous firm customers held non-traditional ETFs for extended periods and several firm customers held them for periods of up to several months. The firm failed to provide adequate formal training and guidance to its registered representatives and supervisors regarding the features, risks and characteristics of non-traditional ETFs. The firm relied on its general supervisory procedures to supervise transactions in non-traditional ETFs. However, the general supervisory system the firm had in place was not sufficiently tailored to address the unique features and risks involved with these products. The firm did not create a procedure to address the risks associated with longer-term holding periods in non-traditional ETFs. The findings also stated that the firm made unsuitable recommendations regarding non-traditional ETFs. The firm failed to perform an adequate reasonable basis suitability analysis of non-traditional ETFs to understand the risks and features associated with the product before offering it for sale to its retail brokerage customers. The firm failed to re-evaluate the suitability of these products notwithstanding the risks of non-traditional ETFs, such as the risks associated with a daily reset, leverage and compounding. ([FINRA Case #2010022290801](#))

**Sandler, O'Neill & Partners, L.P.** ([CRD #23328](#), New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report to TRACE the correct trade execution time for transactions in TRACE-eligible securitized products and failed to show the correct execution time on the memoranda of brokerage orders. ([FINRA Case #2013037791601](#))

**Security Research Associates, Inc.** ([CRD #8200](#), San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent 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 was a non-exclusive placement agent for a private offering of a company's securities. The findings stated that during the offering, the company reduced the offering's stated minimums. When the offering's minimums were reduced, the firm should have returned all subscriber funds but failed to do so. As a result, the firm willfully violated Section 10 of the Securities Exchange Act of 1934 and Rule 10b-9 thereunder, and FINRA Rule 2010. The firm received \$91,000 in fees from the placement. Additionally, the firm permitted escrowed subscriber funds to be held in a money market mutual fund. ([FINRA Case #2013036360601](#))

**SogoTrade, Inc. dba Wang Investment Associates, Inc. (CRD #17912, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that the firm failed to timely report Reportable Order Events (ROEs) to OATS. The findings stated that the firm transmitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the related order routed to the New York Stock Exchange, Inc. (NYSE) due to inaccurate, incomplete or improperly formatted data. The firm transmitted Route or Combined Order/Route Reports to OATS that OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. ([FINRA Case #2013036451001](#))

**Stifel, Nicolaus & Company, Incorporated (CRD #793, St. Louis, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$30,000, ordered to pay \$16,879.48, plus interest, in restitution to customers, 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 sold agency bonds to its customers and failed to sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each 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 and regulations, and FINRA rules, concerning agency bond pricing. ([FINRA Case #2011026076201](#))

**Stock USA Execution Services, Inc (CRD #107403, Carmel, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$27,500 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 provide the correct capacity in which the firm acted in transactions in reportable securities reported to the FNTRF. 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 and regulations, and FINRA rules, concerning equity trade reporting. ([FINRA Case #2012032577301](#))

**Success Trade Securities, Inc. (CRD #46027, Washington, DC)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted ROEs to OATS that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair the rejected ROEs. ([FINRA Case #2013037823901](#))

**TD Ameritrade Clearing, Inc. ([CRD #5633](#), Omaha, Nebraska)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$40,000 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 had fail-to-deliver positions at a registered clearing agency in equity securities that resulted from a sale, and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a), and had fail-to-deliver positions at a registered clearing agency in an equity security that resulted from a long sale, and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by SEC Rule 204(a)(1). The findings stated that the firm failed to submit orders to OATS and incorrectly submitted customer instruction flags of “Y” to OATS. The firm failed to report trades to the over-the-counter Reporting Facility®(OTCRF), incorrectly reported trades as an agency cross to the OTCRF, and reported erroneous trades to the OTCRF. The firm failed to provide customer order tickets; failed to provide customer order tickets with order receipt time, execution time, price, and terms and conditions of the order; failed to provide execution times on its ledger; and failed to provide ledgers for its principal activity. 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 and SEC rules. The firm’s WSPs failed to provide for one or more of the four minimal requirements for adequate WSPs in several subject areas, including trade reporting (accurate and timely TRF reporting), OATS (clock synchronization), OATS reporting and other rules (books and records). ([FINRA Case #2011025883201](#))

**TD Securities (USA) LLC ([CRD #18476](#), New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$7,000. 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 agency debt securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2012033742401](#))

**Ultralat Capital Markets, Inc. ([CRD #136791](#), Miami, Florida)** submitted a Letter of Acceptance, Waiver and Consent 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 failed to report S1 transactions in TRACE-eligible corporate securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2012033830701](#))

**Wilson-Davis & Co., Inc. ([CRD #3777](#), Salt Lake City, Utah)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,000 and required to revise its supervisory system. 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, which specified that transaction reports were part of the firm’s review of customer transactions and prohibited transactions and practices. The finding stated that the firm’s supervisory system failed to establish procedures for the review and endorsement by a registered principal(s) in writing, on an internal record, of all transactions. ([FINRA Case #2009019652801](#))



**World Trade Financial Corporation (CRD #42638, San Diego, California)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$27,500 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 transmitted inaccurate, incomplete or improperly formatted data to OATS, and/or failed to submit ROEs in connection with orders. The findings stated that the firm failed to provide written notifications disclosing to its customer that transactions were executed at an average price; and in one instance, the firm provided written notification disclosing to its customer that the transaction was executed at an average price, when it had not been. 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 one or more of the four minimum requirements for adequate WSPs, in subject areas including order handling anti-intimidation coordination; trade reporting; other trading rules; clearly erroneous; OATS reporting; and other rules. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning trade reporting; best execution; sale transactions; OATS reporting; and other trading rules. ([FINRA Case #2012031507101](#))

## Individuals Barred or Suspended

**Christopher Somes Babcock (CRD #5004907, Wayne, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Babcock consented to the sanction and to the entry of findings that he received approximately \$160,000 from customers of his member firms, after he had instructed the customers to wire monies from their firm accounts to their personal bank accounts and to then either wire money to him or write a check payable to him. The findings stated that the money was given to Babcock with the intent that it be used for investment purposes. However, after receiving the funds, Babcock failed to invest the funds as the customers expected. Instead, Babcock converted the funds to his own use and benefit. In some instances, Babcock would deposit the funds in his personal brokerage account or a third party's personal brokerage account. The findings also stated that Babcock mailed written account summaries to a customer without either of his firms' knowledge and review. The firms were thereby prevented from fulfilling supervisory obligations regarding non-electronic business correspondence and from preserving the correspondence in conformance with recordkeeping rules. At least two of the statements forwarded to the customer falsely inflated the value of the customer's portfolio. ([FINRA Case #2011027329601](#))

**Shondeep Sajan Balchandani (CRD #5165930, West Palm Beach, Florida)** 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, Balchandani consented to the sanction and to the entry of findings that he engaged in unauthorized trading in non-discretionary customer accounts, churned and excessively traded in customer accounts, and recommended qualitatively unsuitable investments to customers. The findings stated



that Balchandani executed the trades without the knowledge, authorization, or consent of the customers or any persons with trading authority over the accounts. Balchandani's excessive trading activity was inconsistent with the customers' respective financial circumstances and/or investment objectives. Balchandani handled the accounts with the intention and for the purpose of generating commissions for himself and his member firm, and without the intention of serving his customers' interests. By churning the accounts, Balchandani willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The findings also stated that Balchandani recommended, through his unauthorized transactions, purchases and sales of securities to customers without having reasonable grounds to believe that his recommendations were suitable for them based on their disclosed security holdings and financial situation and needs. The findings also included that Balchandani improperly made a practice of effecting trades in the cash account of customers where the cost to buy the securities was met by the sale of the same securities and/or allowing customers to meet Regulation T margin calls by liquidating the same or other commitments in the accounts. ([FINRA Case #2011027667402](#))

**Vincent Dominic Bentivegna (CRD #3106501, Bethpage, New York)** submitted a Letter of Acceptance, Waiver and Consent 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, Bentivegna consented to the sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose a tax lien.

The suspension is in effect from April 21, 2014, through July 20, 2014. ([FINRA Case #2013036147301](#))

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

employees, among other things. Blum also controlled firm finances, by among other things, exercising ultimate authority to determine whether firm expenditures would be approved.

The suspension was in effect from May 5, 2014, through June 2, 2014. ([FINRA Case #2009020962901](#))

**William Earl Boone Jr. (CRD #1040827, Bayou La Batre, Alabama)** submitted a Letter of Acceptance, Waiver and Consent 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, Boone consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose tax liens totaling \$58,840.18. The findings stated that Boone acknowledged that he was aware of the liens filed against him but failed to advise his member firm. Boone signed the firm's annual agent interview questionnaires in 2009 and 2010. The questionnaires Boone signed falsely indicated that he had reviewed his Form U4 and that the information contained therein was accurate when, in fact, Boone's Form U4 falsely indicated that he did not have any unsatisfied liens.

The suspension is in effect from April 21, 2014, through October 20, 2014. ([FINRA Case #2013036433201](#))

**Kenneth Doyle Brownlee (CRD #1277737, Spartanburg, South Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Brownlee consented to the sanctions and to the entry of findings that on 13 occasions, he contacted an annuity company and impersonated three customers in order to effectuate distributions, which the customers had authorized, from their annuity contracts totaling \$35,500. The findings stated that in each instance, Brownlee placed a telephone call to the annuity company's customer service center and falsely identified himself as the customer to facilitate the transactions in question.

The suspension is in effect from May 5, 2014, through June 16, 2014. ([FINRA Case #2013036955501](#))

**Gary Allen Cabello (CRD #2357414, Westminster, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Cabello consented to the sanction and to the entry of findings that he conspired with others, including members of the governing board of a high school district that he arranged financing for, to commit bribery in violation of California Education Code section 35230 by providing things of value to the high school board officials in return for decisions favoring his member firm. The findings stated Cabello also conspired with others, including community college officials whom he also arranged financing for, to commit bribery in violation of California Education Code section 72530 by providing things of value to members of the governing

board of the community college officials in return for decisions favoring his firm. The findings also stated Cabello pled guilty to two felony counts of conspiracy to bribe school district and community college officials in the Superior Court of California, County of San Diego. As a result of his conduct, Cabello willfully violated MSRB Rule G-17. ([FINRA Case #2012032456001](#))

**Brandon R. Carter** ([CRD #5678495](#), Bronx, 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, Carter consented to the sanction and to the entry of findings that he falsely reported bank customers debit cards as lost. The findings stated that Carter requested replacement debit cards and improperly created new personal identification (PIN) numbers for each of the cards. The replacement debit cards were sent directly to the branch office where he worked rather than to the customers' mailing addresses on file at the bank. Carter engaged in these activities without the customers' knowledge. The new debit cards Carter requested were used by individuals other than the customers without the customers' knowledge or consent to access the customers' accounts and to withdraw \$4,000 from the accounts through automatic teller machines (ATMs). ([FINRA Case #2012032932101](#))

**Douglas Frank Cmelik** ([CRD #2850522](#), Lincoln, Nebraska) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Cmelik consented to the sanctions and to the entry of findings that his clients placed orders to purchase a penny stock, and he marked the order tickets for these purchases as unsolicited even though he solicited these purchases. The findings stated that Cmelik's failure to mark the penny-stock purchases as solicited caused his member firm's books and records to be inaccurate. The firm prohibited its registered representatives from soliciting purchases of penny stocks.

The suspension is in effect from April 21, 2014, through June 19, 2014. ([FINRA Case #2011027047201](#))

**David Del Muro** ([CRD #6054444](#), Glenview, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Del Muro consented to the sanctions and to the entry of findings that he signed customer names and initials on various documents related to the purchase of traditional life insurance policies. The findings stated that some of the customers were aware that Del Muro signed their names to the documents and gave him permission to do so. The other customers did not give permission. Del Muro had not discussed his intentions to apply for the insurance with these customers and they were not aware that he was doing so. Regardless, Del Muro's member firm and its insurance affiliate agent/registered representative's handbook provided that an agent cannot sign a client's signature under any circumstances, even with the client's permission. Del Muro was aware of this policy and knew that it was not permissible for him to sign for customers.

The suspension is in effect from May 5, 2014 through September 4, 2014. ([FINRA Case #2013036403701](#))

**Duncan Comrie DeWahl (CRD #2036950, Maitland, Florida)** submitted a Letter of Acceptance, Waiver and Consent 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, DeWahl consented to the sanctions and to the entry of findings that he improperly signed at least six customers' signatures on suitability update forms and submitted them to his member firm. The findings stated that with respect to five of these customers, DeWahl signed the customers' signatures on the documents without their knowledge, authorization or consent. The firm's WSPs specifically prohibit registered representatives from signing a customer's name, even if the customer requests that they do so.

The suspension is in effect from May 5, 2014, through November 4, 2014. ([FINRA Case #2013035887501](#))

**Eduardo Guillermo Diaz (CRD #1621873, Ocean Springs, Mississippi)** 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, Diaz consented to the sanction and to the entry of findings that during telephone conversations and in written communications, he intentionally or recklessly made untrue statements of material fact to a customer regarding properties of a limited liability company he controlled. The findings stated that as a result of his conduct, Diaz willfully violated Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder. The customer's investments in the company and the loan to it, which totaled at least \$365,000, were not paid directly from her account at Diaz's member firm. Amounts withdrawn from the customer's account were transferred to her checking account at a bank. At Diaz's request, the customer then wired the funds comprising the investments and loan to a personal bank account Diaz controlled. In reliance upon representations Diaz had made, the funds the customer provided to him were intended for use by the company for its general business operations. Diaz's bank account was comprised almost entirely of funds from the customer for purposes of her investments and the loan.

The findings also stated that Diaz improperly converted at least \$126,000 of these funds in his bank account to his personal use for expenditures that did not benefit the company or the customer. Diaz executed transactions in the customer's account, without her prior knowledge, authorization or consent. The unauthorized transactions in the customer's brokerage account at Diaz's firm resulted in more than \$195,000 in cash that he sent to the customer, which she believed were distributions from the company. The findings also included that Diaz, acting outside of his employment with his firm, participated in private securities transactions for compensation with the customer without providing prior written or oral notice to the firm of his proposed role in, or the selling compensation that

he might receive from the transactions. The firm did not approve Diaz's private securities transactions with the customer. Diaz engaged in business activities with his company outside the scope of his relationship with the firm, without providing prior written notice to the firm or receiving its written approval. Diaz's participation in the company was not passive. Diaz was a member and manager of the company and received approximately \$126,000 in compensation as a result of his business activity with it. FINRA found that Diaz solicited loans from the customer totaling \$87,000. The loans were deposited into Diaz's personal bank account. Diaz failed to notify his firm of the loans the customer had made. Firm policy prohibited Diaz from borrowing from customers in all circumstances. ([FINRA Case #2012034594402](#))

**David Paul Diehl (CRD #2604969, St. Peters, Missouri)** submitted a Letter of Acceptance, Waiver and Consent 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, Diehl consented to the sanctions and to the entry of findings that engaged in private securities transactions and an outside business activity without providing written disclosure of these activities to his member firm. The findings stated that Diehl participated in raising a total of \$480,000 from investors for a business in which he was involved. The investors received securities in the form of promissory notes, and most of the investors were his brokerage customers. Due to the lack of success of the business, the corporation stopped paying interest on the notes during 2013.

The suspension is in effect from April 21, 2014, through January 20, 2015. ([FINRA Case #2014039725001](#))

**Paula Denise Downing (CRD #4535864, St. Charles, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Downing consented to the sanctions and to the entry of findings that on five occasions, she contacted an annuity vendor and improperly represented herself as the client of record in order to facilitate a \$15,000 distribution from the client's annuity contract, and transfer the withdrawal to the client's securities account at her member firm. The findings stated that Downing made the calls pursuant to a request from a financial adviser in her branch office to confirm certain information about the client's annuity at the vendor. Downing had oral authorization from the client to obtain the information from the annuity vendor, but did not have authorization to impersonate the client.

The suspension was in effect from April 21, 2014, through May 20, 2014. ([FINRA Case #2013035418401](#))

**Jeffery Bowman Ellis (CRD #831554, Winston-Salem, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for two months.

Without admitting or denying the findings, Ellis consented to the sanctions and to the entry of findings that he executed trades in a customer's account over a two-and-a-half week period after the customer's death. The findings stated that Ellis placed six securities transactions in the customer's account without the customer's knowledge, authorization or consent.

The suspension is in effect from May 5, 2014, through July 4, 2014. ([FINRA Case #2012033802601](#))

**Joshua Allen Farahi (CRD #4170598, Los Angeles, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine \$25,000 and suspended from association with any FINRA member in any capacity for 12 months. Without admitting or denying the findings, Farahi consented to the sanctions and to the entry of findings that he engaged in and received compensation from undisclosed outside business activities, involving entities that traded commodities and futures contracts for customers, after his member firm had expressly denied his request to engage in these activities. The findings stated that Farahi earned compensation from an entity totaling \$52,173.28. Farahi's firm learned of his registration with the National Futures Association (NFA) as an associated person of one of the entities and conducted a branch audit. As a result of the audit, the firm terminated Farahi's registration for engaging in an undisclosed outside business activity. The findings also stated that Farahi opened a brokerage account with another FINRA member firm and did not provide written notice to the other FINRA member of his registration, nor did he notify his firm of his outside brokerage account. The findings also included that Farahi failed to timely update his Form U4 after entering into a compromise with a creditor. Farahi made misstatements to his firm in an annual compliance questionnaire relating to outside business activities. Farahi answered yes when asked whether he was involved in any business activity outside of the firm and listed his insurance company that his firm had approved, but failed to disclose an additional outside business activity. Farahi made misstatements to his firm in the same annual compliance questionnaire when he attested to not having an outside brokerage account, which was false. At a later date, Farahi provided false information to his firm when he attested to not holding any outside brokerage accounts through the firm's online compliance system.

The suspension is in effect from May 5, 2014, through May 4, 2015. ([FINRA Case #2012032484601](#))

**Anne C. Feliciano (CRD #4953691, Rockaway Park, New York)** submitted a Letter of Acceptance, Waiver and Consent in which she 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, Feliciano consented to the sanctions and to the entry of findings that she entered false stock journal adjustments into her member firm's system to conceal an over-allocation of 20,133 shares in a public company for a firm customer. The findings stated that Feliciano became aware of the over-allocation of shares

and instead of reporting the issue to someone at the firm, Feliciano concealed the error by creating a false journal entry in the firm's system that noted that the 20,133 shares were in a pending status and awaiting transfer agent clearance. Pending items of this nature would become aged after 30 days. On almost a monthly basis, Feliciano briefly removed the pending item from the firm's system and then re-posted it to the system shortly thereafter. Feliciano continued to conceal the over-allocation in this manner for over two years. Feliciano's firm became aware of her conduct and terminated her. In an effort to reconcile the position in order to properly account for the shares allocated to the customer, the firm and another member firm incurred a loss of approximately \$1,500,000. The findings also stated that Feliciano caused her firm's books and records to be inaccurate.

The suspension is in effect from April 21, 2014, through September 20, 2014. ([FINRA Case #2012033831401](#))

**John Lamar Gibson** ([CRD #1394299](#), Jefferson City, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Gibson consented to the sanction and to the entry of findings that he improperly used customer funds when he misused two powers of attorney to transfer approximately \$60,000 from his mother's individual retirement account (IRA) at his member firm to her personal bank account at a bank, and from there, wrongfully withdrew the funds for his personal use. The findings stated that although the powers of attorney included provisions allowing the attorney-in-fact, Gibson, to make gifts, including to himself, the applicable law provides that those gifts must be made with the utmost good faith and in accordance with his mother's history of personal giving. There is no evidence that Gibson's withdrawals from his mother's account were in accordance with her history of personal giving. Gibson repaid the funds after his improper use was discovered. ([FINRA Case #2013037965101](#))

**Thomas Joseph Gorter** ([CRD #1008601](#), Brandenburg, Kentucky) 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 of the complaint and an OHO decision that was appealed to the NAC, as amended by the Offer of Settlement, Gorter consented to the sanction and to the entry of findings that he failed to timely respond to FINRA requests for information and failed to timely appear for a FINRA-requested on-the-record interview. The causes of action that Gorter engaged in private securities transactions and caused his firm's books and record to be inaccurate were dismissed. ([FINRA Case #2009019837302](#))

**Kaori Hagihara** ([CRD #5118840](#), Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Hagihara consented to the sanctions and to the entry of findings that she sent a Letter of Authorization (LOA) to another FINRA firm requesting the redemption



of a position in an alternative investment a customer held at the firm. The findings stated that the firm rejected this LOA because it was out of date. Hagihara, contrary to her member firm's written procedures, cut the customer's signature from the LOA onto a new LOA and resubmitted it to the other firm. The findings also stated that Hagihara's firm required customers with two or more IRAs to execute identical forms, such as IRA beneficiary forms, for each IRA account, even if the information disclosed on each form was identical. Hagihara had a customer's two beneficiaries sign an IRA Beneficiary Processing form for only one of the customer's two IRA accounts. Hagihara then copied the signed forms and reused them as IRA Beneficiary Processing forms for the other IRA account held by the customer by changing the account number on the form. Hagihara had another customer sign an IRA distribution form for one of her IRA accounts at the firm. Contrary to the firm's procedures, Hagihara then reused the signature page from this form for a separate IRA Distribution form for another IRA account the customer held at the firm by copying the original signature page and attaching the copied signature page to the new IRA Distribution form.

The suspension was in effect from April 21, 2014, through May 20, 2014. ([FINRA Case #2013036928801](#))

**Stephen Robert Hepner** ([CRD #2292228](#), Vail, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 days. Without admitting or denying the findings, Hepner consented to the sanctions and to the entry of findings that he personally invested in a company without first providing written notice to his member firm before engaging in the private securities transactions. The findings stated that based on Hepner's representations, his supervisor determined that a loan Hepner intended to make to the company was not a securities transaction and therefore did not require further escalation to the firm's supervisory personnel. Hepner's supervisor told him that any changes would need to be disclosed to the firm. Hepner completed the firm's annual compliance attestation, attesting that he had not engaged in any private securities transactions while associated with the firm. Rather than making a loan to the company, Hepner made several investments in the company, which were ultimately consolidated into one promissory note, and acquired an ownership interest. Hepner did not inform his supervisor or his firm of his investments, the promissory notes or his acquisition of an ownership interest in the company. Hepner later informed his supervisor for the first time that he made multiple loans to the company and, as a result, acquired a 1 to 3 percent ownership interest in the company. Hepner subsequently informed his supervisor that the company offered him the option to convert the amount owed into an increased ownership share.

Hepner received a letter from the Securities Enforcement Branch of the Department of Commerce and Consumer Affairs of the State of Hawaii, advising him that state regulators were investigating allegations that the company's president was selling unregistered securities to the public. Hepner was not the subject of the investigation conducted by the

state of Hawaii. Following receipt of the letter, Hepner relinquished his ownership interest in the company, but remained a holder of the promissory note. Hepner's firm's compliance department immediately commenced an internal investigation and ultimately issued him a Letter of Disciplinary Action following the firm's conclusion that Hepner's investment in the company violated the firm's policies and procedures pertaining to private securities transactions. Pursuant to the Letter of Disciplinary Action, among other commitments, Hepner served a 10-business-day suspension, paid a \$3,500 fine, and was required to complete an online education course on private securities transactions.

The suspension was in effect from May 19, 2014, through June 2, 2014. ([FINRA Case #2012032866901](#))

**Kent Michael Houston (CRD #1514831, Carlsbad, California)** was fined a total of \$75,000 and suspended from association with any FINRA member in any capacity for a total of three years. The SEC sustained the NAC's modification of sanctions imposed against Houston. The NAC issued the decision on remand from the SEC for reconsideration of the sanctions. The sanctions were based on findings that Houston served for more than four years as trustee for, and receiving substantial compensation from, his great aunt's trust without providing his member firm written notice. The trust was a customer of Houston's member firm. The findings stated that Houston attempted to conceal his trustee activities from his firm by intentionally completing disclosure forms inaccurately.

The findings also stated that Houston failed to fully respond to FINRA's requests for information and to appear for testimony regarding his sizeable withdrawals from a customer's trust account. Houston's refusal to provide investigative testimony impeded FINRA from determining whether Houston engaged in other serious misconduct such as misappropriation or conversion.

The suspension is in effect from April 21, 2014, through April 20, 2017. ([FINRA Case #2006005318801](#))

**Gerald Wayne Howard (CRD #4267914, Vernon Hills, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Howard consented to the sanction and to the entry of findings that he failed to respond to a FINRA request for information. The findings stated that Howard told FINRA via telephone that he did not plan to respond to the request and sent a letter confirming his intentions. ([FINRA Case #2014040065501](#))

**John Steven Jackson (CRD #5086164, Irving, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Jackson consented to the sanctions and to the entry of findings that he improperly processed wire transfers for a customer of his member firm by falsely stating on wire transfer disbursement forms that he had verbally spoken to the

customer. The findings stated that Jackson had received the wire transfer instructions from an unauthorized third party. Firm procedures require employees who receive outgoing wire transfer instructions to verify the customer's identity by personally speaking with the customer. Jackson executed wire transfers based on instructions received from a third party and without having spoken to the customer. On each occasion, Jackson entered information on the wire transfer disbursement forms noting that he "spoke with" the customer and was "able to recognize her voice." The findings also stated that Jackson caused his firm's books and records to be inaccurate by entering false information on the wire transfer disbursement forms.

The suspension is in effect from April 21, 2014, through July 20, 2014. ([FINRA Case #2013039600501](#))

**Earl Julius Johnson III (CRD #4274899, Omaha, Nebraska)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Johnson consented to the sanctions and to the entry of findings that he improperly accepted a \$10,000 loan from a customer. The findings stated that the customer obtained the funds by taking a distribution from her retirement account at Johnson's member firm. The distribution resulted in tax withholdings of \$1,111. The loan was not memorialized in writing, and other than Johnson's promise to repay the customer a total of \$12,000 within a 12-month period, there were no specific loan terms. Over a 27-month period, Johnson repaid the customer a total of \$4,500. The customer filed a complaint with the Nebraska Department of Banking and Finance in connection with the outstanding loan balance. After learning of the complaint, Johnson repaid the customer the loan balance of \$7,500 via a cashier's check. The findings also stated that Johnson did not notify or receive approval from his firm prior to entering into the loan arrangement. Given that the customer was not a member of Johnson's immediate family, the firm's written policies and procedures precluded him from accepting such a loan. Johnson was aware of the firm's policies and procedures governing loans. On compliance questionnaires Johnson completed in 2010 and 2011, he certified that he would not borrow money from any firm customer unless he received the firm's prior written permission; and on the 2011 compliance questionnaire, Johnson falsely answered "no" to a question regarding outstanding loans with clients.

The suspension is in effect from May 5, 2014, through July 3, 2014. ([FINRA Case #2013038535601](#))

**Clark Lynn Johnston (CRD #859781, Murray, Utah)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Johnston failed to respond to FINRA requests that he appear and testify on the record. The findings stated that Johnston was served with multiple requests for testimony and, through counsel, refused to appear and testify. ([FINRA Case #2012032731701](#))

**Jason O'Neal Lampier** ([CRD #5343593](#), Murphy, Texas) 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, Lampier consented to the sanction and to the entry of findings that he knowingly, willfully or recklessly made fraudulent misrepresentations of material facts in connection with the sale of 1/10 of one unit of an entity's oil and gas limited partnership to a customer. The findings stated that Lampier misrepresented the minimum investment amount, the potential investment returns, and the type of oil and gas well acquired by the partnership. In reliance upon Lampier's material misrepresentations, the customer purchased 1/10 of a unit in the offering for \$28,000. As a result of the conduct, Lampier willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. ([FINRA Case #2011030498301](#))

**Joseph Robert Lillagore** ([CRD #5493720](#), Franklin, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for 10 months. Without admitting or denying the findings, Lillagore consented to the sanctions and to the entry of findings that he left his then broker-dealer and became associated with another member firm. The findings stated that in connection with Lillagore's transfer to a new member firm, he falsified multiple client signatures on his former member firm's documents for clients to authorize him as their broker of record. While a few of his clients consented to his signing these documents on their behalf, most did not and were unaware that he had done so. The findings also stated that the new firm's WSPs, as well as those at Lillagore's prior firm, prohibited falsifying a client's signature under any circumstances. Lillagore signed his new firm's registered representative's agreement, which the firm approved, in which he agreed to abide by its WSPs. Lillagore completed the new firm's annual compliance Firm Element checklist in which he certified his understanding that he may not sign a client's signature under any circumstances.

The suspension is in effect from May 5, 2014, through March 4, 2015. ([FINRA Case #2013038533101](#))

**Michael Thomas Lombardo** ([CRD #4091665](#), Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lombardo consented to the sanction and to the entry of findings that he misappropriated funds from a customer of his member firm by forging the customer's signature on an IRA distribution request form. The findings stated that Lombardo took delivery of the IRA disbursement check, forged the customer's signature on the check and converted the funds to his own use. Lombardo also converted additional funds from other firm customers. ([FINRA Case #2014040513601](#))

**Robert Lee Mashburn** ([CRD #4177776](#), Harriman, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 45 business days. Without

admitting or denying the findings, Mashburn consented to the sanctions and to the entry of findings that he falsely attested to the authenticity of a customer's signature, which he knew was not authentic, on a signature guarantee form that his member firm required to be completed in order to facilitate the transfer of the customer's assets from another FINRA member firm to Mashburn's firm. Mashburn subsequently provided the false signature guarantee form to his firm, which caused the firm to have inaccurate books and records. The findings stated that Mashburn executed discretionary trades in the customer's account by taking trading instructions from a third party, the customer's daughter. Mashburn exercised discretion in the customer's account by executing two previously discussed transactions without obtaining the customer's approval on the date of the transactions. Mashburn never obtained the customer's written authorization to exercise discretion in her account, and Mashburn's firm had not accepted the customer's account in writing as a discretionary account. The firm generally prohibited registered representatives from exercising discretion in customer accounts.

The suspension is in effect from May 5, 2014, through July 8, 2014. ([FINRA Case #2012031857202](#))

**Max Virgil Mawhirter (CRD #1569322, Hewitt, Texas)** submitted a Letter of Acceptance, Waiver and Consent 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, Mawhirter consented to the sanctions and to the entry of findings that he borrowed funds from a customer of his member firm without disclosing the loan agreement to the firm or seeking the firm's authorization to borrow funds from the customer. The findings stated that Mawhirter borrowed \$7,500 from the customer. The borrowed funds came from a personal savings account, and not from the customer's brokerage account. The loan was evidenced by an unsecured promissory note Mawhirter had signed. The promissory note was executed at least four months after the funds were borrowed. The note has a face amount of \$7,500 and required monthly payments of \$150. Mawhirter drafted the promissory note and presented it to the customer. Mawhirter failed to make monthly payments as required by the promissory note, and, instead, made sporadic payments to the customer totaling less than \$1,000. Mawhirter's firm subsequently reimbursed the customer more than \$6,500, which represented essentially the remaining balance on the loan. The firm's written procedures expressly prohibited the practice of borrowing or lending money from or to any firm customer. Mawhirter signed annual attestations in 2010, 2011 and 2012 in which he falsely represented to the firm that he had not borrowed funds from any customer.

The suspension is in effect from April 21, 2014, through October 20, 2014. ([FINRA Case #2013036645001](#))

Crysler Philip McQuire ([CRD #4460379](#), Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, McQuire consented to the sanctions and to the entry of findings that he failed to notify his member firm of a customer complaint and settled the complaint through a payment of \$2,800 without his firm's authorization or approval. The findings stated that McQuire's customer completed a variable annuity application and the annuity was purchased without an income rider the customer requested. McQuire contacted the insurance company regarding the rider, but was told that a new application would have to be completed and the original contract would need to be surrendered. The customer advised McQuire that she was not happy with that solution. The customer sent McQuire a letter addressed to McQuire's father's address that asked for \$2,800 in compensation in exchange for giving McQuire complete indemnity. The letter contained a release the customer had signed. McQuire's father drafted a check in the amount of \$2,800 payable to the customer and forwarded the check to her. The findings also stated that McQuire's firm's procedures require its representatives to promptly notify their supervisor when and if they receive a complaint from a customer and whether or not it is oral or in writing, prohibit its representatives from discussing the possible resolution of any complaint with the customer or any third party and from offering or paying any restitution to a customer, and prohibit its representatives from discussing with or providing information to any outside party about a customer account. McQuire failed to disclose to the firm that the customer had expressed dissatisfaction with the annuity, specifically the failure to include the income rider. McQuire further failed to disclose to the firm that the customer proposed a settlement, that he discussed the customer's account with his father and that his father had provided the customer with a check in exchange for the release.

The suspension was in effect from May 5, 2014, through June 4, 2014. ([FINRA Case #2012034580501](#))

Dennis Edwin Mulally ([CRD #342222](#), Sinking Spring, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Mulally consented to the sanctions and to the entry of findings that he engaged in undisclosed outside business activities by selling life insurance policies, fixed annuity contracts and equity index annuity contracts offered by carriers other than his member firm or its affiliated insurance company without the firm's prior knowledge. The findings stated that Mulally routed these transactions to another, non-registered individual who did not work for his firm or its affiliated insurance company. The individual effected the purchases and paid Mulally \$66,248.86, which represented a share of the generated commissions.

The suspension is in effect from April 21, 2014, through July 20, 2014. ([FINRA Case #2013036952901](#))

**James William Murphy (CRD #1142044, Tucson, Arizona)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Murphy consented to the sanction and to the entry of findings that he misused and converted funds of his member firm's brokerage customer, a charitable foundation for which he served as a trustee, for his own personal use. The findings stated that this conversion was accomplished through Murphy's use of credit cards to pay not only legitimate expenses of the charitable foundation, but also to pay his own personal expenses that were not authorized by the foundation. Murphy, without authorization, initiated electronic transfers from and drafted checks on the foundation's firm brokerage account to pay the credit card accounts, which included the personal expenses charged to the cards. In this manner, Murphy converted more than \$100,000 from the charitable foundation. The findings also stated that the State of Arizona charged Murphy with multiple related counts of felony theft and engaging in a fraudulent scheme by converting trust property. Murphy pled guilty to a subset of the charges and has paid approximately \$115,000 in court-ordered restitution to the charitable foundation. ([FINRA Case #2013038224901](#))

**Dustin E. Niemeyer (CRD #5876460, Lincoln, Nebraska)** submitted a Letter of Acceptance, Waiver and Consent 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, Niemeyer consented to the sanctions and to the entry of findings that he falsely told his district manager at his member firm that he had met with a potential client, who had completed paperwork to purchase a variable annuity through the firm. The findings stated that at the time, Niemeyer had never met with the potential client and she had not completed any transfer paperwork. On multiple subsequent occasions, Niemeyer's district manager asked him about the paperwork for the putative variable-annuity application. After initially making an excuse for why the paperwork was not complete, Niemeyer eventually filled out the paperwork himself with fictitious information, forged the client's signature, and sent it by fax to the firm's home office. Aside from the client's name, the information on the application was completely fabricated. Because the information about the client was inaccurate, Niemeyer knew that his firm would reject the application. Niemeyer called the firm's headquarters and canceled the application the next business day. Niemeyer falsely told the firm and his district manager that the client had simply changed her mind. Months later, Niemeyer disclosed to his firm that he had concocted the client's application, and the firm promptly terminated his registration.

The suspension is in effect from May 5, 2014, through November 4, 2014. ([FINRA Case #2013037076101](#))

**Arturo Alejandro Nunez (CRD #4701686, Miami Lakes, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Nunez consented to the sanctions and to the entry of findings that



he signed various documents for two individuals, a business recruit, and a customer of Nunez and his member firm. The findings stated that Nunez signed the business recruit's name in two places on an internal firm form included in an application the business recruit submitted. Nunez signed the internal firm form for the business recruit without her knowledge, authorization or consent. While Nunez did not have authorization to sign the internal firm form on the business recruit's behalf, the business recruit signed other documents and authorized the submission of the business application. Nunez signed the customer's name to a variable annuity application in two instances. Nunez signed the application on the customer's behalf without her knowledge, authorization or consent. While Nunez did not have authorization to sign on the customer's behalf, the customer authorized the purchase of the variable annuity and the submission of the application.

The suspension is in effect from May 19, 2014, through June 18, 2014. ([FINRA Case #2013036478401](#))

**John Anthony O'Keefe III (CRD #2220988, Wilbraham, Massachusetts)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, O'Keefe consented to the sanctions and to the entry of findings that he recommended non-traditional ETF purchase transactions to customers without performing reasonable diligence to understand the risks and features of the non-traditional ETFs, including the risks associated with the daily reset and leverage components associated with the securities. The findings stated that these transactions lacked a reasonable basis and were unsuitable. Certain of the recommendations made to the customers were also unsuitable on a customer-specific basis. O'Keefe recommended non-traditional ETF purchase transactions to customers who had conservative to moderate risk tolerances and investment objectives of income and long-term growth. The findings also stated that the prospectuses for the non-traditional ETFs that O'Keefe recommended highlighted that the funds sought investment results for a single day only and outlined several risks to investors who held their funds for more than one trading session or as long-term investments. Notwithstanding this caution, some of O'Keefe's non-traditional ETF recommendations were purchases that were held in the accounts of customers for longer than seven business days, with an average holding period of more than 353 days. These customers lost money on these investments.

The suspension was in effect from May 19, 2014, through June 9, 2014. ([FINRA Case #2011025436103](#))

**Gregory Jerome Ptasienski Osborn (CRD #1716402, Ridgewood, New Jersey)** 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, Osborn consented to the sanction and to the entry of findings that he made fraudulent misrepresentations and omissions of material facts in connection with the sale of approximately \$5 million of

securities in two private offerings conducted on behalf of two issuers. The findings stated that Osborn failed to disclose material facts concerning the financial condition of the two issuers and his substantial financial and ownership interest in one of the issuers. Osborn earned approximately \$100,000 in commissions and fees from these offerings. As a result, Osborn willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The findings also stated that Osborn and others established escrow accounts to hold investor monies from private offerings in which his member firm participated as the selling broker-dealer. The accounts were maintained by a law firm. The offering funds that Osborn and his firm raised through the private offerings were commingled in a non-segregated manner in the escrow accounts. Osborn misused \$200,000 of the escrowed investor monies from two of the offerings to make payments to, or on behalf of, a third issuer. The findings also included that Osborn willfully failed to amend his Form U4 to disclose the existence of a federal tax lien in the amount of \$265,755. ([FINRA Case #2011025438901](#))

**Katherine Anne Park** ([CRD #2456077](#), White House, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Park consented to the sanction and to the entry of findings that she converted funds from a trust account to her own personal use. The findings stated that Park's supervisor was the owner of the trust account and the supervisor's father was the trustee of the account. Park utilized blank LOA forms that had been pre-signed by the father as the trustee of the account to cause the account to issue Park checks totaling \$147,400. ([FINRA Case #2014040592701](#))

**Alan David Peck** ([CRD #2490398](#), Orlando, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Peck consented to the sanctions and to the entry of findings that despite Peck not being registered with FINRA in any capacity, he engaged in the securities business at the firm when he sold \$250,000 of securities to two of his member firm's customers.

The suspension was in effect from May 5, 2014, through May 23, 2014. ([FINRA Case #2013035565001](#))

**Andrew Gerard Piccuta** ([CRD #3030081](#), New Castle, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent 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, Piccuta consented to the sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm. The findings stated that Piccuta referred at least eight persons to a private company, and these persons purchased shares of the company totaling approximately \$28,000. Piccuta personally invested \$12,000 in the company.

Between 2003 and 2009, Piccuta falsely answered “no” to a question on seven annual compliance-related questionnaires asking whether he had engaged in any private securities transactions.

The suspension is in effect from April 7, 2014, through October 6, 2014. ([FINRA Case #2012032304001](#))

**Omar Leon Plummer (CRD #2967570, Blacklick, Ohio)** submitted an Offer of Settlement 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 allegations, Plummer consented to the sanctions and to the entry of findings that he failed to timely respond to FINRA requests for information.

The suspension is in effect from April 7, 2014, through October 6, 2014. ([FINRA Case #2012030856401](#))

**Joseph Principe (CRD #1537357, Staten Island, New York)** submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 30 business days. Without admitting or denying the allegations, Principe consented to the sanctions and to the entry of findings that as managing principal, he was responsible for reviewing and approving some of his member firm’s business expenses, including travel expenses and entertainment. The findings stated that the firm paid more than \$40,000 of expenses that were personal expenses of the firm’s Chief Executive Officer (CEO) but were classified as travel or entertainment expenses. After the commencement of the FINRA investigation relating to this conduct, the firm reclassified these expenses. For each of these expenses, the firm’s general ledger contains entries that falsely describe the CEO’s non-business expenses as legitimate expenses of the firm. Financial statements prepared from the firm’s in-house books and records are also false in that they overstate the firm’s business expenses. The findings also stated that the firm failed to maintain and preserve records that underlie expenses the firm paid, such as supporting documentation for cash-based purchases of purported business expenses. Principe failed to adequately discharge his obligations to review and approve business expenses, which caused the firm’s books and records, including the general ledger, to inaccurately reflect personal expenses as business expenses.

The suspension is in effect from May 5, 2014, through June 16, 2014. ([FINRA Case #2011028647101](#))

**Sean Patrick Sego (CRD #4247634, Woodbury, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Sego consented to the sanctions and to the entry of findings that he negligently misrepresented material facts concerning an advisory-account product to customers who subsequently used transferred brokerage-account

funds to fund the advisory accounts. The findings stated that to open each account, Seago had to complete a Client Acknowledgement of Change of Investment form. The form included the question, "Is there a contingent deferred sales charge or other contingent fee applicable to the above listed products being purchased?" On all of the forms, Seago incorrectly marked "no" in response to this question and did not include any other information as to the existence or duration of the contingent deferred sales charge (CDSC). When Seago terminated his employment with his member firm, some of his customers asked about moving their accounts. Seago, who was by then aware of his previous error, advised them that they would be charged the CDSC if they closed their accounts at that time. Seago encouraged at least five of the customers to contact the firm, which resulted in five customer complaints to the firm. The firm ultimately waived the CDSC for all of the customers to whom Seago had given false information.

The suspension is in effect from April 21, 2014, through July 20, 2014. ([FINRA Case #2012032336201](#))

**Daniel Gerard Sharp (CRD #2194385, Allison Park, Pennsylvania)** was assessed a total deferred fine of \$22,587.56, suspended from association with any FINRA member in any capacity for two years for recommending and effecting unsuitable switches from Class A shares of mutual funds to shares of unit investment trusts (UITs), and suspended in any capacity for 18 months for untimely responses to FINRA. The suspensions shall run concurrently. The sanctions were based on findings that Sharp engaged in a pattern of recommending and effecting unsuitable switches from Class A mutual funds, which his customers had held for a short time, to UITs, causing his customers to incur unnecessary sales charges. The findings stated that the customers had paid front-end fees of \$17,915.29 for the purchase of the Class A shares, and paid front-end fees of \$8,533.09 for the purchase of the UITs. Sharp received commissions of \$2,587.76 for the UIT purchases. All the transactions were effected in retirement accounts. Following the trades, Sharp's member firm required him to provide switch letters explaining his rationale for the trades. Sharp did not have a rational explanation for the recommendations and the switches did not make any economic sense. Sharp did not have reasonable grounds for believing that his recommendations and the transactions were suitable for the customers. The firm refunded the \$17,915.29 in front-end fees that customers had paid in connection with the Class A shares that were sold to purchase the UITs. The findings also stated that Sharp failed to timely appear and testify for an on-the-record interview in connection with FINRA's investigation into his unsuitable recommendations.

The suspension is in effect from April 7, 2014, through April 6, 2016. ([FINRA Case #2011029681602](#))

**Paul Stuart Shechter (CRD #2589423, Mount Sinai, New York)** submitted an Offer of Settlement in which he was assessed a deferred fine of \$25,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or

denying the allegations, Shechter consented to the sanctions and to the entry of findings that he placed purchases in the names of customers that were unauthorized. The findings stated that none of those customers agreed to purchase the securities. Shechter also opened accounts in the names of customers without their authorization. None of the customers agreed to open an account with Shechter's member firm. Shechter made trades in a customer's account without authorization, and used margin on one trade without authorization. The findings also stated that Shechter made recommendations to customers without obtaining accurate information necessary to make suitability determinations. The information that his firm failed to obtain included the investment objectives, risk tolerance, financial condition and investment experience of the customers. The findings also included that Shechter created false new account documentation, including falsified new account information sheets and new account applications for customers. The documents set forth false, inaccurate and/or baseless information regarding the customers' income, net worth, investment experience and/or risk tolerance. Shechter caused his firm to create and maintain false records of those items. FINRA found that Shechter engaged in inherently unsuitable excessive trading in the customers' accounts. Shechter exercised control over their accounts, and caused them to make an extremely excessive numbers of trades and incur very high costs.

The suspension is in effect from May 5, 2014, through May 4, 2016. ([FINRA Case #2009016159107](#))

**Brian Anthony Simmons (CRD #4349344, Hawthorne, New Jersey)** submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for nine months, which is to run consecutively with a suspension from association with any FINRA member in any principal capacity for 15 months. In light of Simmons' financial status, no monetary sanction has been imposed. Without admitting or denying the allegations, Simmons consented to the sanctions and to the entry of findings that he and his member firm failed to establish and implement adequate anti-money laundering (AML) procedures. Simmons was the firm's AML compliance officer and was responsible for implementing the firm's AML compliance program, including ensuring compliance with monitoring for suspicious activity. The findings stated that Simmons failed to implement the firm's AML programs and WSPs, as they did not adequately review transactions for suspicious activity, and did not review the reports that the clearing firm provided to them as the AML programs specified that they would. In connection with the AML programs, Simmons only reviewed penny stock transactions to ensure that the securities were properly cleared, and he failed to review the transactions for suspicious activity or patterns. Simmons, nor any other firm employee, took steps to inquire about a number of transactions in order to determine whether they constituted suspicious activity that should have been reported. Although the firm's clearing firm notified it about high-risk transactions, the firm failed to record whether or how it engaged in any follow-up activity after it was notified, and did not have any system in place that directed compliance personnel how to respond to such notifications. The findings also stated that Simmons,

as the firm's CCO, failed to establish a system to adequately supervise the activities of registered representatives, registered principals, and other associated persons in a manner reasonably designed to achieve compliance and to prevent and detect misconduct at the firm, including manipulative stock trading, defrauded customers, unsuitable recommendations, inaccurately booked personal expenses, insufficient net capital, and employee payroll taxes that were not remitted to the United States Treasury by the firm.

The suspension in any capacity is in effect from May 5, 2014, through February 4, 2015. The suspension in any principal capacity is in effect from February 5, 2015, through May 4, 2016. ([FINRA Case #2011028647101](#))

**James D. Smith (CRD #6201712, Buffalo, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Smith consented to the sanction and to the entry of findings that he improperly accessed the information of at least one bank customer without the bank or customer's authorization and with no apparent business purpose. The findings stated that Smith also attempted to have the credit cards of bank customers reissued to a third-party address. Smith successfully reissued one of these credit cards to a third-party address, without the bank or customer's authorization. As a result, \$2,200 was improperly charged to the bank customer's credit card. ([FINRA Case #2013039244401](#))

**Dale Herman Stevens (CRD #1941500, Malibu, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Stevens consented to the sanctions and to the entry of findings that he engaged in outside business activities that were outside the scope of his relationship with his member firm and he did not provide the firm with prompt written notice of the outside business activities. The findings stated that Stevens served as a member of the board of directors and board president for three related hedge funds. Stevens received compensation totaling approximately \$43,500 and was reimbursed for approximately \$90,380 by the hedge funds for attending quarterly board meetings held abroad

The suspension was in effect from April 21, 2014, through May 20, 2014. ([FINRA Case #2012034534201](#))

**William Lewis Tatro IV (CRD #808176, Newark, New York)** was barred from association with any FINRA member in any capacity. The NAC dismissed his appeal as abandoned. The sanction was based on a hearing panel's findings that Tatro failed to respond to FINRA requests for information and documents in connection with its investigation to determine whether Tatro had violated federal securities laws or FINRA rules in connection with customer complaints alleging fraud, breach of fiduciary duty, unauthorized transactions, breach of contract, negligence, and negligent or reckless failure to supervise. The findings stated that Tatro admitted that he received both information requests but did not provide

any of the requested information and documents because he had filed for bankruptcy, and believed the bankruptcy court had stayed all actions against him, including his obligation to provide information and documents to FINRA. Even after FINRA sent Tatro a letter advising him that it would not seek monetary sanctions against him because of the bankruptcy, Tatro never provided any of the information or documents FINRA requested. ([FINRA Case #2011026874301](#))

**Bemeleket Woldeyes Tewahade (CRD #2345618, Aurora, Colorado)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Tewahade consented to the sanctions and to the entry of findings that he engaged in an outside business activity without providing his member firm with the requisite written notice. The findings stated that Tewahade did not provide written notice to and receive written approval from the firm prior to engaging in private securities transactions through a mutual-fund dealer.

The suspension was in effect from April 21, 2014, through May 16, 2014. ([FINRA Case #2011028936201](#))

**John Charles Tibbs (CRD #1390607, Burr Ridge, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Tibbs consented to the sanction and to the entry of findings that he misrepresented to his member firm that he scored 68 percent and 71 percent on two separate attempts at the Series 66 examination. Tibbs' actual scores were 28 percent and 58 percent. The findings stated that since Tibbs' firm believed that he was close to passing the exam, Tibbs and his manager discussed a possible extension of the firm's 120-day period required to pass the Series 66 examination. The Series 66 examination requires a score of 75 percent or higher to pass. Tibbs' supervisor requested that Tibbs provide documents to the firm reflecting his Series 66 examination test scores. Tibbs provided falsified documents to the firm reflecting the incorrect scores of 68 percent and 71 percent that he had verbally reported to the firm. ([FINRA Case #2013038101501](#))

**Steven Robert Tomlinson (CRD #723330, Painted Post, New York)** was suspended from association with any FINRA member in any capacity for 90 days. The NAC modified the sanctions imposed by the Office of Hearing Officers (OHO). The NAC assessed, but did not impose in light of Tomlinson's financial condition, a \$10,000 fine. The sanctions were based on findings that Tomlinson misused confidential information by downloading and disclosing non-public personal information to his new member firm. The findings stated that Tomlinson downloaded, among other things, customers' names, addresses, account balances, social security numbers, dates of birth and quarterly account statements.



Tomlinson did not obtain the consent of his former member firm, an affiliated credit union, or any of his customers prior to disclosing their non-public person information, and the customers were not provided with the notice required under Regulation S-P prior to Tomlinson's disclosure of their information. The findings also stated that Tomlinson gave an employee of his new firm the flash drive containing the confidential information and did not supervise the employee while she worked with the flash drive. Tomlinson's actions violated his firm's express policies and procedures, as well as the employment agreement he had entered into with the firm and the credit union.

This matter has been appealed to the SEC and the sanction is not in effect pending review. ([FINRA Case #2009017527501](#))

**John Everette Tucker (CRD #2214088, Altavista, Virginia)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Tucker consented to the sanctions and to the entry of findings that he recommended non-traditional ETFs purchase transactions to customers without performing reasonable diligence to understand the risks and features of the non-traditional ETFs, including the risks associated with the daily reset and leverage components associated with these securities. The findings stated that these transactions lacked a reasonable basis and were unsuitable. Certain of the recommendations made to the customers were also unsuitable on a customer-specific basis. Tucker recommended some non-traditional ETF purchase transactions to customers who had conservative to moderate risk tolerances and investment objectives of growth and long-term growth. The findings also stated that the prospectuses for the non-traditional ETFs that Tucker recommended highlighted that the funds sought investments results for a single day only and outlined several risks to investors who held their funds for more than one trading session or as long-term investments. Notwithstanding this caution, some of Tucker's non-traditional ETF recommendations were purchases that were held in the accounts of customers for longer than seven business days, with an average holding period of more than 300 days. These customers lost money on these investments.

The suspension is in effect from May 19, 2014, through July 18, 2014. ([FINRA Case #2011025436102](#))

**Brandy Ann Ulbrich (CRD #3248043, Piqua, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the findings, Ulbrich consented to the sanctions and to the entry of findings that she forged and falsified an annuity application beneficiary form for a customer. The finding stated that Ulbrich received a signed but incomplete member firm switch letter from a firm customer, which she then submitted to her firm. The firm instructed Ulbrich to complete the incomplete section of the letter, have the customer initial the changes

and resubmit the letter. Ulbrich completed the section of the letter identifying a mutual fund investment to be purchased. Ulbrich then placed the customer's initials on the letter without the customer's knowledge or authorization and submitted the falsified letter to her firm. By doing so, the letter inaccurately indicated that the customer had acknowledged the information related to the mutual fund to be purchased. The findings also stated that Ulbrich signed or caused customers' names to be signed on a beneficiary information form, without the customers' knowledge or authorization, which she then submitted to her firm for processing. By submitting the falsified letter and beneficiary information form to her firm, Ulbrich caused the firm to maintain inaccurate books and records. The findings also included that Ulbrich retained in her customer files blank or incomplete securities business-related documents that customers had signed in blank, in violation of firm policy.

The suspension is in effect from April 7, 2014, through December 6, 2014. ([FINRA Case #2012033348401](#))

**Craig Alan Umphress (CRD #1542238, Vernon Hills, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$15,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Umphress consented to the sanctions and to the entry of findings that he failed to notify his member firm of outside business activities through which he received more than \$150,000 in compensation. The findings stated that Umphress used a corporation that he owned and controlled to conduct insurance business and to receive referral fees for introducing insurance agents to potential customers who would purchase or sell non-firm insurance policies. Umphress' firm reminded Umphress of his obligation to disclose outside business activities through quarterly and annual compliance meetings, emails and training. During the training, Umphress answered a multiple-choice question that reminded him that he was obligated to report to the firm any business corporation that he formed on the advice of an accountant, even if he had not yet received any compensation from that entity. In spite of this, Umphress did not take any action to notify his firm of his outside business activities. Instead, Umphress repeatedly affirmed, both electronically and in writing, that he was not engaged in any outside business activity; understood that he could not be employed by, or receive any compensation from, any other person as a result of any outside business activity without the firm's approval, and was not receiving any compensation in connection with any business activity performed on behalf of any other entity or person.

The findings also stated that some of the fees that Umphress received through his corporation were from insurance agencies he was responsible for servicing on his firm's behalf. In spite of the conflict of interest between the receipt of those fees and his responsibility to the firm as a wholesaler to those agencies, Umphress did not take any action to notify his firm of the business activities he was conducting through his corporation. Approximately \$80,000 of the more than \$150,000 that Umphress received in compensation through his corporation were referral fees from insurance agencies whose

clients were purchasing the life insurance policy from the named insured. Umphress knew that his firm had prohibited the issuance of life insurance policies that were intended to be resold. Despite the firm's procedures, Umphress both accepted and failed to disclose that he had accepted more than \$80,000 in referral fees from these non-firm transactions.

The suspension is in effect from April 21, 2014, through April 20, 2015. ([FINRA Case #2012034251801](#))

**Gerald Raymond Veydt (CRD #1451528, Timonium, Maryland)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Veydt consented to the sanctions and to the entry of findings that he paid a portion of the commission he earned on securities transactions to an unregistered individual who worked for him part-time as an office assistant. In total, Veydt paid the individual about \$4,722. The findings stated that Veydt caused materially false or misleading information to be provided to FINRA in regards to the compensation he paid to the unregistered individual.

The suspension is in effect from April 21, 2014, through October 20, 2014. ([FINRA Case #2012033054301](#))

**Elizabeth Ann Viola (CRD #4051478, New Providence, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which she was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Viola consented to the sanctions and to the entry of findings that she falsified a form that instructed her member firm to journal common stock from an account established for the estate of a customer's mother into firm accounts held by the customer and the customer's sister. The findings stated that Viola prepared the falsified form by signing the customer's name to the letter of instruction and submitted the falsified form to her firm. The customer was the trustee of his mother's firm account and sought to transfer stock but did not authorize Viola to sign his name or consent to her act.

The suspension was in effect from April 7, 2014, through May 6, 2014. ([FINRA Case #2013038078801](#))

**David Arthur Wisely (CRD #1661628, Benton, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which he was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Wisely consented to the sanctions and to the entry of findings that on two separate occasions, he knowingly accepted a signature from the mother of a customer, purporting to be the signature of the customer herself, on a request to use the dividends from an insurance policy to pay the premium that was currently due. The findings stated that the customer was aware that her mother had signed the customer's name to this request, and consented to her doing so in the future, as the customer lived out of state. Through the use of photocopies, Wisely created a false

signature purporting to be the customer's signature for the purpose of paying the policy premium through available dividends. The customer was not aware of Wisely's actions. The following year, the premiums for the customer's policy increased dramatically. Wisely again created a false signature for the purpose of paying the policy premium through available dividends, but also initiated and falsely signed a request for a policy loan in the amount of \$13,653, which would cover the remaining premium balance. The insurance company processed the policy loan request. The customer did not authorize the loan request, and was unaware the loan had been taken out against her policy.

The suspension is in effect from May 5, 2014, through October 4, 2014. ([FINRA Case #2012035043101](#))

**Kam Poi Yee (CRD #2393601, Edison, New Jersey)** was assessed a deferred fine of \$7,500 and suspended from association with any FINRA member in any capacity for 10 business days. Yee withdrew her appeal with the NAC. The sanctions were based on findings that Yee falsely attested that she had confirmed a request for a fund transfer with a customer and, as a result, caused her member firm's books and records to be inaccurate. The findings stated that Yee processed the fund transfer request that she thought a customer had sent, but the transfer request was actually sent by an imposter who hacked into the customer's email. In order to finalize the transfer of funds, and to accommodate what she believed in good faith to be the customer's wishes, Yee provided a false attestation in her firm's electronic wire transfer system. In reliance upon Yee's attestation and the information the imposter provided, the firm wired the funds from the customer's account to the account the imposter specified. The imposter requested a second transfer and, at that point, Yee and the adviser she assisted became suspicious. Yee and the adviser brought the incident to a branch manager after they determined the signature on the LOA did not match the customer's signature on file. As a result, the firm investigated the incident and terminated Yee based on her false attestation. Yee initially represented that she mistakenly checked the box attesting that she had spoken with the customer and later volunteered that she did so knowingly.

The suspension is in effect from June 16, 2014, through June 27, 2014. ([FINRA Case #2011029227701](#))

**Steven Yi (CRD #3268937, San Diego, California)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Yi failed to provide FINRA with requested information and documents regarding a member firm's disclosure in his Form U5. ([FINRA Case #2012035180501](#))

**William C. Yi** ([CRD #4723849](#), Lynnwood, Washington) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Yi consented to the sanction and to the entry of findings that he altered a customer's check and converted \$5,169 for his personal use, without the customer's knowledge or authorization. The findings stated that Yi wrote a commercial insurance policy for the customer and that same day, the customer gave Yi a check made out to Yi's member firm in the amount of \$5,169 for full payment of the annual premium for the policy. Yi altered the check by adding "William Yi Agency" as a payee. Yi then endorsed the back of the check and deposited it into his insurance business checking account. ([FINRA Case #2013038173001](#))

**Su Zhang** ([CRD #5305398](#), Oakland Gardens, New York) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Zhang consented to the sanction and to the entry of findings that she failed to appear and provide FINRA with requested testimony. The findings stated that FINRA wanted to question Zhang about allegations that she signed pre-filled and/or signed pre-executed life insurance policy applications as the soliciting agent, when in fact she never met the subject policy holders; knowingly included false information on new account documents pertaining to insurance company policy holders' home addresses; identified herself as the beneficiary on an insurance company policy holder's life insurance policy; paid the premium on behalf of at least one insurance company policy holder; and improperly participated in private securities transactions. The findings also stated that Zhang advised FINRA that she would not appear and provide testimony, provide any further documents and information FINRA requested, or otherwise participate in FINRA's investigation. ([FINRA Case #2013037267301](#))

## Individual Fined

**Randy A. Overby** ([CRD #4911585](#), Denton, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000. Without admitting or denying the findings, Overby consented to the sanction and to the entry of findings that one day prior to an initial public offering (IPO), he completed a form titled Client Affirmation of Eligibility for Initial Public Offerings sent to him by a firm where he maintained a personal brokerage account. The findings stated that Overby responded "no" to the question whether he was a restricted person. Overby purchased shares of the stock during its IPO in his personal brokerage account, which was fully disclosed to his member firm. Later that same day, Overby sold the shares at a profit of \$1,543. Overby's firm discovered this transaction during a routine supervisory review and subsequently fined him \$3,000, which he paid. ([FINRA Case #2011029732001](#))

## Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of April 30, 2014. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future issues of *FINRA Disciplinary and Other Actions*.

David Harari ([CRD #4094088](#), San Antonio, Texas) and Sian Alison Harari (CRD #4617506, San Antonio, Texas). David Harari was barred from association with any FINRA member in any capacity. Sian Harari was suspended from association with any FINRA member in any capacity for 18 months. The sanctions were based on findings that David Harari provided false information and documentation to FINRA and his member firm. Sian Harari participated in the creation of false documentation, a customer's letter and backdated checks that she knew or intended would be provided to FINRA and her member firm, or both. The findings stated that David Harari and his wife Sian Harari received \$20,000 from a customer. David Harari's former firm disclosed on his Form U5 a firm investigation into the \$20,000, checks the customer provided to David Harari purportedly for financial planning services, and other matters, including alleged failure to disclose tax liens. As a result, David Harari was sent a request from FINRA that requested information on the status of the customer's loan, including whether it had been repaid, checks for "planning fees," and undisclosed tax liens. David Harari participated in creating a false customer letter, which stated that the \$20,000 was a loan that had been fully repaid. In drafting his response to FINRA's inquiry, appending the customer's letter, and supplying both to his firm and FINRA, David Harari knowingly misrepresented the status of his \$20,000 indebtedness to the customer and the nature of the 2010 financial planning fee payments totaling \$7,500. Sian Harari was involved in setting up a meeting with the customer, participating in the conversations surrounding the writing of the customer's letter, and was present while it was written. Sian Harari knew the letter falsely stated that the loan had been repaid. Sian Harari attempted to further the deception by writing backdated checks, which she never intended to honor and could not honor, to supply to her firm as proof of the falsehoods. David Harari obtained the financial planning fee payments by false pretense. Twice David Harari induced the customer to pay him \$7,500 as financial planning fees, although he never intended to use the funds for that purpose, and as a result, converted the funds. The findings also stated that David Harari failed to disclose tax liens on his Form U4.

The decision has been appealed to the NAC and the sanctions are not in effect pending review. ([FINRA Case #2011025899601](#))

## 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.

**Andre Podesser Aliance** ([CRD #5846053](#), Long Island City, New York) was named a respondent in a FINRA complaint alleging that he cut, copied and pasted a customer's signature from a bank document onto a bank account signature card without the customer's authorization. The complaint alleges that Aliance realized that the customer had failed to sign a signature card for a new checking account. Without a signed signature card, Aliance could not open the account. Instead of asking the customers to return to the branch, Aliance took one of the customer's signatures from another document and cut and pasted it to the new signature card. Because the other customer was not the primary account holder, her signature was not necessary on the card. Aliance scanned the account documents, including the signature card with the inauthentic signature, into the bank's system to complete the account opening process. The customers had no knowledge of, and did not consent to, Aliance's actions. Aliance's conduct was contrary to his member firm and its affiliated bank's policies and procedures. Aliance was aware, or should have been aware, of these procedures. ([FINRA Case #2013037604801](#))

**Ricky Eugene Bell** ([CRD #2065556](#), Fayetteville, North Carolina) was named a respondent in a FINRA complaint alleging that he solicited customers to invest in his lending program, which he described to the customers as an investment opportunity reserved for his select customers and closest friends. The complaint alleges that Bell told customers that investor funds would be pooled together and used to provide high-interest loans to small businesses, thereby generating profits for investors. Bell made interest payments to the customers, some by personal checks, but requested that they refrain from cashing the checks and to consider them only as collateral in the event the lending program faltered. Bell has not returned to the customers any of the \$247,500 of total principal he received. Bell's member firm did not offer, nor did the firm authorize him to solicit or sell positions in any such lending program or investments to customers. Bell did not notify his firm that he intended to solicit or obtain investments in a lending program or investments, or that he had done so. Bell also did not seek his firm's approval or receive its permission to participate in any manner in any private securities transactions. The complaint also alleges that Bell solicited and received personal loans totaling \$19,650 from customers. Bell did not request or receive his firm's approval to solicit or receive the loans from customers. The firm's procedures prohibited registered representatives from borrowing or lending money from or to any firm customer, and the firm did not allow exceptions to this policy. The complaint further alleges that Bell failed to produce FINRA-requested information and failed to appear to provide FINRA on-the-record testimony. ([FINRA Case #2013039439301](#))



**Mark Foster** ([CRD #719105](#), Pasadena, California) was named a respondent in a FINRA complaint alleging that he failed to respond twice to FINRA requests for information and documents, and twice failed to appear for FINRA-requested on-the-record interviews. ([FINRA Case #2014039867601](#))

**Chris Fulco** ([CRD #4093586](#), Staten Island, New York) was named a respondent in a FINRA complaint alleging that he participated in private securities transactions without first providing written notice to his member firm describing his proposed role in the transaction, and stating whether he had received or may receive selling compensation in connection with the transaction. The complaint alleges that Fulco lied repeatedly on the firm's compliance questionnaire, falsely stating that while associated with the firm, he had not accepted compensation from any person or entity, other than the firm, without the prior written approval of the firm's chief supervisory officer; that he had not received compensation for any security not sold through the firm; that he had not participated or been involved in any private securities transactions during the first quarter of 2010; and that he had not been involved in the purchase or sale of any security not conducted through the firm. The complaint also alleges that Fulco provided testimony to FINRA, and while under oath, made numerous false statements regarding his involvement in transactions relating to an entity's securities. Fulco encouraged an individual, the primary seller of securities in the transactions, not to appear for his scheduled FINRA testimony, or in the alternative, to testify falsely about the transactions in order to corroborate Fulco's own false testimony. The complaint further alleges that Fulco willfully failed to timely disclose a federal tax lien and a civil judgment entered against him on his Form U4. ([FINRA Case #2011030015301](#))

**Eric David Kennedy** ([CRD #5194734](#), Danbury, Connecticut) was named a respondent in a FINRA complaint alleging that he intentionally and without authorization from his member firm's parent bank, took \$2,569.36 that belonged to the bank from his teller drawer for his personal use, and admitted to the bank and FINRA that he took the money for his personal use. The complaint alleges that Kennedy failed to amend his Form U4 to disclose unsatisfied judgments entered against him. The complaint also alleges that Kennedy failed to respond to FINRA requests for information. ([FINRA Case #2013039558401](#))

**Jose E. Ramirez** ([CRD #5657264](#), Springfield, Massachusetts) was named a respondent in a FINRA complaint alleging that he failed to comply with multiple FINRA requests for information and documents regarding a felony arrest and charges that occurred while associated with a member firm. ([FINRA Case #2013036007801](#))

**Mario Patrick Torsiello** ([CRD #1667050](#), Chappaqua, New York) was named a respondent in a FINRA complaint alleging that he failed to enforce his member firm's WSPs and failed to supervise a firm registered representative. The complaint alleges that Torsiello failed to implement and enforce firm policies and procedures that were designed to detect and prevent the misuse of material non-public information by its employees.

Through Torsiello's position as a member of a board of directors, Torsiello learned of a planned acquisition of the company by another company. A firm registered representative purchased 2,000 shares of the company's stock based on material, non-public information concerning the pending acquisition that the registered representative had misappropriated from Torsiello. Torsiello did not monitor the registered representative's trading and did not learn of his purchase of stock until FINRA began investigating the registered representative's suspicious trades. Torsiello never obtained or reviewed duplicate confirms or statements for accounts held away from the firm by firm employees. Torsiello sent a letter to a broker-dealer at which the registered representative held a securities account telling the broker-dealer not to send duplicate confirmations and statements for the registered representative's account to the firm. Torsiello never created nor maintained a written restricted list of securities issued by companies that firm employees would have been prohibited from transacting any security on that list. Torsiello never obtained an executed Insider Trading Acknowledgment form from the registered representative. The complaint also alleges that Torsiello willfully failed to disclose a felony charge, subsequent conviction and liens on his Form U4. ([FINRA Case #2012035252802](#))

**Wood (Arthur W.) Company, Inc. ([CRD #3798](#), Boston, Massachusetts)** was named a respondent in a FINRA complaint alleging that although the firm listed specific red flags in its AML procedures, it failed to have an adequate system to monitor for potentially suspicious activity, and failed to adequately detect and investigate those red flags when they were present. The complaint alleges that the firm failed to implement and enforce its written AML program to ensure compliance with the Bank Secrecy Act. The firm did not identify and investigate potentially suspicious activity, even though many red flags identified in the firm's written AML procedures were present. Several individuals who opened accounts at the firm through one of the firm's registered representatives had criminal backgrounds and alleged ties to organized crime, and other customers who opened accounts at or around the same time appeared to be closely connected to these individuals. The activity in the aforementioned customers' accounts raised numerous red flags indicative of potentially suspicious activity related to the deposit and liquidation of low-priced securities. These customers, all serviced by the same registered representative, made up the vast majority of the firm's trading activity in low-priced securities, which represented a departure from the firm's typical business model. The firm failed to conduct additional due diligence into these clients in response to the ongoing potentially suspicious trading activity, which would have revealed their criminal and otherwise questionable backgrounds and pre-existing relationships with one another, and it failed to detect and investigate red flags, including negative news associated with their clients, in reaction to ongoing potentially suspicious trading in these clients' accounts. There were several emails sent to the registered representative concerning activity in these customers' accounts that should have raised red flags indicative of potentially manipulative trading to the firm. Given the multiple red flags that were present, the firm should have reasonably conducted additional due diligence into these clients and the ongoing trading activity to assess whether it had a reporting obligation.

The complaint also alleges that an individual conducted the firm's annual independent AML test. However, the individual was not independent because he performed some of the functions being tested. The firm's AML tests were substantively inadequate. The tests evidence only a cursory review of AML procedures and did not test the adequacy of the suspicious activity monitoring program or Customer Identification Program. The AML tests from 2008 through 2011 wrongfully asserted that that the firm was not required to review 314(a) requests made by the Financial Crimes Enforcement Network (FinCEN). The complaint further alleges that the firm charged unreasonable and unfair commissions on equity security transactions and the total amount of the excessive commissions charged on these transactions (i.e., the total amount charged above 5 percent) was \$40,229.28. The high commission amount was not justified. The firm used a default commission schedule provided by the firm's former clearing firm to determine commissions that would be charged to customers on equity transactions. The commission schedule the firm used produced commissions that were not fair and reasonable.

In addition, the complaint alleges that the firm failed to establish, maintain and enforce a supervisory system, including WSPs, that was reasonably designed to achieve compliance with the applicable securities laws and regulations and NASD/FINRA rules concerning the charging of fair and reasonable commissions. Instead of conducting a reasonableness review of its commissions on equity transactions, the firm relied on a default commission schedule. No one at the firm conducted an evaluation of the factors that were relevant to the amount of commissions charged. The firm failed to ensure that its financial books and records accurately reflected all of the firm's assets, liabilities, and expenses, which caused its records and net capital computations for those records to be inaccurate. The firm's net capital declined to below 120 percent of the firm's required minimum net capital. The firm failed to file a notice of this event pursuant to Securities Exchange Act of 1934 Rule 17a-11(c)(3) and conducted a securities business while net capital deficient. As a result of its conduct, the firm willfully violated Sections 15(c) and 17(a) of the Securities Exchange Act of 1934 and Rules 15c3-1 and 17a-3 thereunder. ([FINRA Case #2011025444501](#))

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**Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552**

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

**1st Bridgehouse Securities, LLC (CRD #44655)**  
Miami, Florida  
(April 9, 2014)

**Mosaic Capital Securities, LLC (CRD #106637)**  
Sherman Oaks, California  
(April 16, 2014)  
FINRA Case #20140408279/FPI140002

**N. Hahn & Co., Inc. (CRD #46942)**  
New York, New York  
(April 24, 2014)

**Western Pacific Securities, Inc. (CRD #26354)**  
Fresno, California  
(April 9, 2014)

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**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.)

**Christopher Bryan Babbitt (CRD #6123929)**  
Santa Ana, California  
(April 28, 2014)  
FINRA Case #2013037016001

**Amy R. Cox (CRD #3274604)**  
Crossville, Tennessee  
(April 28, 2014)  
FINRA Case #2013036236201

**Mark David Holt (CRD #3150622)**  
Vadnais Heights, Minnesota  
(April 21, 2014)  
FINRA Case #2013038983901

**Imran M. Nasrullah (CRD #5168010)**  
Westbury, New York  
(April 21, 2014)  
FINRA Case #2013039572401

**Julia Lee Saephan (CRD #6014846)**  
Beaverton, Oregon  
(April 28, 2014)  
FINRA Case #2013038754901

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**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.)

**David Thomas Bartosiak (CRD #4933741)**  
Chicago, Illinois  
(April 9, 2014)  
FINRA Case #2010025866201

**Dale Wesley Davenport (CRD #1283989)**  
Stuart, Florida  
(April 3, 2014)  
FINRA Case #2011027039801

**William Frederick Wadsworth (CRD #456251)**  
Lighthouse Point, Florida  
(April 25, 2014)  
FINRA Case #2011025443801

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**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.)

**Katherine Mary Boulbol (CRD #4056252)**  
Delray Beach, Florida  
(April 21, 2014)  
FINRA Case #2013038835101

**Anthony Robert Calascione (CRD #5098042)**  
Long Branch, New Jersey  
(April 24, 2014)  
FINRA Case #2013038521301

**Joshua Richard Hanna (CRD #6032943)**  
Candia, New Hampshire  
(April 14, 2014)  
FINRA Case #2013039114901

**Paul Ocie Hartman (CRD #6057432)**  
Spring, Texas  
(April 21, 2014)  
FINRA Case #2013039149201

**Mark David Hassell (CRD #4702405)**  
New York, New York  
(April 24, 2014)  
FINRA Case #2013038784201

**Kimberley Ann Jim (CRD #4722843)**  
Oregon City, Oregon  
(April 21, 2014 - April 29, 2014)  
FINRA Case #2013039397601

**Homayoun Khaleeli (CRD #5720041)**  
Peekskill, New York  
(April 21, 2014)  
FINRA Case #2013039148501

**Steve Kim aka Jung Bok Kim (CRD #5787453)**  
Tracy, California  
(April 21, 2014)  
FINRA Case #2013038707501

**Stephen Henry Murawski (CRD #1053513)**  
Monclova, Ohio  
(April 14, 2014)  
FINRA Case #2013038894301

**Earthel Dwight Parker (CRD #5545133)**  
Redford, Michigan  
(April 14, 2014)  
FINRA Case #2012033747401

**Robert Bernard Perthuis (CRD #3166875)**  
 New York, New York  
 (April 7, 2014)  
 FINRA Case #2012033548801

**Susan Ora Snoeyink (CRD #1226789)**  
 Haslett, Michigan  
 (April 18, 2014)  
 FINRA Case #2013038248401

**Patrick Joseph Sullivan (CRD #5796812)**  
 Loveland, Ohio  
 (April 7, 2014)  
 FINRA Case #2013037200401

**Jeffery Allen Vaughn (CRD #2124515)**  
 Mason, Ohio  
 (January 13, 2014 – April 9, 2014)  
 FINRA Case #2013037097601

**Joseph Stephen Waide (CRD #4165870)**  
 Middlesex, New Jersey  
 (April 21, 2014)  
 FINRA Case #2013038529301

**Heidi Marika Wivolin (CRD #2728779)**  
 Lantana, Florida  
 (April 14, 2014)  
 FINRA Case #2013038844101

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**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.)

**Francis Joseph Gerham Jr. (CRD #1246635)**  
 Rochester, New York  
 (April 28, 2014 – April 30, 2014)  
 FINRA Arbitration Case #12-04172

**Antonio Rossi (CRD #2462009)**  
 Tallahassee, Florida  
 (April 25, 2014)  
 FINRA Arbitration Case #12-01584

**Anthony A. Wall Jr. (CRD #4172544)**  
 Eagleville, Pennsylvania  
 (April 3, 2014)  
 FINRA Arbitration Case #13-00759

**Peter Yao aka Ying Yao (CRD #4751615)**  
 Bellevue, Washington  
 (April 25, 2014)  
 FINRA Arbitration Case #13-01921

## **Board Decision Finds Charles Schwab & Co. Violated FINRA Rules by Adding Waiver Provisions in Customer Agreements Prohibiting Customers From Participating in Class Actions; Reverses FINRA Hearing Panel Decision**

### **Schwab Enters into Settlement; \$500,000 Fine and Waiver Removal Resolves Matter**

The Board of Governors of the Financial Industry Regulatory Authority (FINRA) [issued a decision](#) finding [Charles Schwab & Co., Inc.](#) violated FINRA rules when the firm attempted to keep investors from participating in judicial class actions by adding waiver language to customer account agreements.

The ruling by the Board affirms in part and reverses in part an earlier FINRA Hearing Panel decision. The Hearing Panel found that Schwab's waiver violated FINRA rules that limit the language that firms may place in predispute arbitration agreements but concluded that FINRA could not enforce those rules because they were in conflict with the Federal Arbitration Act (FAA). The Board overturned this finding and determined that the FAA does not preclude FINRA's enforcement of its rules.

In addition, the Board upheld the Hearing Panel's determination that Schwab's attempt to prevent FINRA arbitrators from consolidating more than one party's claims in a FINRA arbitration forum violated FINRA rules. The Board decision would have remanded the case to the Hearing Panel for a determination of appropriate sanctions. However, Schwab instead entered into a settlement, agreeing to pay a fine of \$500,000 and to notify all of its customers that the Class Action Waiver requirement has been withdrawn from its customer account agreements and is no longer in effect. This fully resolves the matter.

In October 2011, Schwab sent amendments to its customer account agreement to more than 6.8 million investors. The amendments included waiver provisions that required customers to agree that any claims against Schwab be arbitrated solely on an individual basis and that arbitrators had no authority to consolidate more than one party's claims.

FINRA's Board of Governors may call for review and issue a decision involving a matter before the National Adjudicatory Council as was done in this instance. In February 2013, a FINRA Hearing Panel dismissed two of three causes from a February 2012 FINRA complaint. FINRA and Schwab both appealed this decision to the NAC in February 2013.