

# Disciplinary and Other FINRA Actions

## Firms Fined, Individuals Sanctioned

**Bedminster Financial Group, Limited (CRD® #39916, Holicong, Pennsylvania) and Robert Martin Van Pelt (CRD #453274, Registered Principal, New Hope, Pennsylvania)** submitted an Offer of Settlement in which the firm was censured and fined \$35,000. The firm and Van Pelt were fined \$5,000, jointly and severally. Van Pelt was fined an additional \$5,000 and suspended from association with any FINRA® member in any principal capacity for 30 days. Without admitting or denying the allegations, the firm and Van Pelt consented to the described sanctions and to the entry of findings that the firm, acting through Van Pelt, its president and chief compliance officer (CCO), failed to enforce written supervisory procedures (WSPs) reasonably designed to achieve compliance with the preservation of business-related emails, the review of business-related mails, the inspection of non-branch offices, and the review and approval of firm websites. The findings stated that despite the firm's prohibition against using personal (third-party) email addresses for certain communications, representatives used their unapproved personal email accounts for business-related communications, including securities or investment banking-related communications to the public, customers and prospective customers without copying or forwarding these emails to the firm. These representatives did not forward to the firm an archival compact disk (CD) record of all their emails on at least a monthly basis. The findings also stated that the firm's management was aware that the representatives utilized unapproved outside email accounts. In fact, firm personnel received emails from, and sent emails to, those email accounts. The firm did not preserve or review all business-related emails as required, and therefore willfully violated Rule 17a-4 of the Securities Exchange of 1934. The findings also included that, in connection with outside email accounts, the firm, acting through Van Pelt, failed to enforce its WSPs prohibiting securities and investment banking-related communications from these accounts be approved, and the firm did not have any system in place to verify compliance with its procedures.

FINRA found that the firm's WSPs required Van Pelt, in his capacity as the correspondence designated principal, to review a sample of incoming and outgoing email correspondence. This procedure was not followed for emails sent to and from firm email accounts. FINRA also found that the firm used a third-party service provider to maintain its emails. Each month, the provider provided the firm with a CD-ROM containing the prior month's emails. Only emails that had been "flagged" through a keyword search through the third-party service provider's system, which were few in number, were brought to

## Reported for January 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).

Van Pelt for his review and approval. The review procedure was not enforced for non-firm email accounts where Van Pelt was aware that several representatives utilized outside email accounts. The firm did not conduct any spot checks or inspections of representatives' emails to ensure that they were not using known personal email accounts in a manner prohibited by the firm's procedures, and the firm did not require periodic attestations from the representatives stating that they were complying with the firm's email requirements. In addition, FINRA determined that the firm, acting through Van Pelt, failed to establish and implement an inspection schedule for its non-branch offices and failed to perform any inspections. Moreover, FINRA found that the firm, acting through Van Pelt, failed to enforce its WSPs for the review and approval of representatives' hyperlinked websites. The hyperlinked websites belonged to companies with which many of the firm's representatives were affiliated and through which they conducted investment- and financial-related businesses. The firm, acting through Van Pelt, failed to conduct the required review and approval of these websites, and failed to monitor the websites on a regular basis to identify and correct any variances from the firm's policies and procedures.

The suspension was in effect from December 16, 2013, through January 14, 2014. ([FINRA Case #2011025548101](#))

**Sicor Securities Inc (CRD #16195, Dayton, Ohio) and Gregory Lunar Merrick (CRD #2933448, Registered Principal, Tipp City, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$200,000. Merrick was fined \$25,000 and suspended from association with any FINRA member in any principal capacity for two years. Without admitting or denying the findings, the firm and Merrick consented to the described sanctions and to the entry of findings that the firm, by and through Merrick, failed to properly inspect its home office and branch offices. The findings stated that Merrick was designated as having oversight responsibilities for ensuring compliance with all applicable rules and regulations concerning membership and registration information, and was specifically charged with the responsibility of correctly designating each location as an Office of Supervisory Jurisdiction (OSJ), supervisory branch, branch or non-branch office location. The findings also stated that despite assurances from the firm that it would inspect its branch offices in response to FINRA's repeated requests to do so, the firm, by and through Merrick, submitted Uniform Branch Office Registration Forms (Forms BR) de-registering all of its single representative branch office locations, impliedly representing that the locations no longer qualified as branch offices. The representations made to FINRA in the Forms BR were inaccurate. None of the de-registered locations were exempt from branch registration based on the primary residence exception, or any other exception. In fact, the firm, acting through Merrick knew, or should have known, that the locations should have remained registered as branch offices.

The findings also included that the firm, by and through Merrick, failed to maintain and preserve emails generated by representatives at the firm who were using their own personal email accounts for securities business, and failed to establish reasonable

procedures to ensure that the firm's email service was capturing and retaining its registered representatives' incoming and outgoing emails. Consistent with the firm's policy that permitted representatives to use a non-firm email address, representatives used their own personal email address to conduct their securities business. The firm failed to preserve and maintain a large portion of the email communications sent and received through representatives' personal email addresses, apparently because firm representatives had failed to comply with the firm's procedure requiring those emails to be copied to the firm's internal mail server. Despite the firm's heavy reliance on the use of the email service to capture and retain securities-related emails, the firm failed to have an adequate system in place to ensure the email service was capturing and preserving securities-related emails. The firm did not have a process or procedures in place to conduct any independent review of its representatives' compliance with the policy requiring that they forward business-related emails to the firm's internal mail server, and the firm failed to have any procedures in place providing guidelines to a registered principal on the manner and frequency of email review to ensure compliance with all applicable Securities and Exchange Commission (SEC) and FINRA rules.

FINRA found that the firm's WSPs were not current with FINRA Rule 3270. The firm's WSPs required that on a monthly basis, all supervising principals poll all the individuals under their direct supervision to determine if any amendments are required on their Uniform Application for Securities Industry Registration or Transfer (Form U4) to either report a new disclosure event or to change the status of a currently disclosed event. The firm failed to poll the individuals regarding the existence of any disclosable events on a monthly basis, thereby failing to enforce its procedures. In addition, some of the firm's registered representatives had Forms U4 that did not accurately identify all outside business activities in which the representatives' engaged. The firm was notified by its representatives on several occasions of proposals to engage in certain outside business activities. Despite such notifications and the firm's obligation to review these notices, the firm failed in all instances to consider whether the proposed activities interfered with the representatives' responsibilities to the firm's customers, and whether the activities would be viewed by customers as part of the firm's business. FINRA also found that despite the firm's requirement to review and approve business cards, letterhead and websites, it failed to enforce its procedures related to the review of these items. The firm failed to review and approve registered representatives' business cards related to their outside business activities, and failed to review and approve the registered representatives' websites related to their outside business activities. Several websites contained misleading information that was communicated to the public. In addition, FINRA determined that the firm failed to maintain its minimum net capital requirement, failed to prepare an accurate net capital computation, and failed to file an accurate Financial and Operational Combined Uniform Single (FOCUS) report. Moreover, FINRA found that for three years, the firm prepared an inadequate NASD Rule 3012 report. The reports for two of the years were deficient because they did not provide details as to the firm's supervisory controls, a summary of the test

results and additional supervisory procedures created in response to the test results. The third report was also deficient because it only provided a status on the updates made to the firm's supervisory system as a result of a FINRA examination. The firm's Rule 3012 reports also served as its FINRA Rule 3130 reports. Consequently, the Rule 3130 reports were inadequate and prevented the firm's chief executive officer (CEO) from making a proper certification under Rule 3130 during the related years. The firm failed to have WSPs in place requiring that the account activity of a producing manager be reviewed by a senior, or otherwise independent, principal, and failed to ensure that account applications with regard to its producing manager were reviewed by a senior, or otherwise independent, principal.

Furthermore, FINRA found that although the firm's anti-money laundering (AML) procedures required that its AML program be tested, it failed to state how frequently the test would be done. There were no AML tests conducted in two years, and the AML test that was conducted for one year was not independent because it was performed by firm personnel who reported to the firm's AML compliance officer and performed the functions to be tested. The findings also stated that the firm's representatives recommended variable annuity exchanges for which they failed to document their determinations required by FINRA Rule 2330, resulting in the firm failing to maintain adequate documentation demonstrating compliance with Rule 2330. The representatives failed to document their determination related to the cost and benefit of exchanging one variable annuity for another, failed to document the determination involving the remaining surrender period, and failed to address the variable annuity rider information for the customers' existing policy. The findings also included that the firm knowingly permitted an unregistered employee to perform the duties of a financial and operations principal (FINOP) without ensuring that she was properly registered. The employee signed all of the checks for the firm's operating account.

FINRA found that the firm's customer account documentation was deficient in that it failed to document, among other things, the customer's tax status and the approval of the account by a principal of the firm. FINRA also found that the firm failed to require that its representatives conducting investment advisor business take and pass the Series 65 examination, review and approve the account opening and transactions involving these same representatives, confirm in writing a change of address involving customers in separate offices, fingerprint non-registered administrative employees who handled checks and original books and records, supervise the checks received and forwarded blotters or the handling of customer checks at all branch offices and review the personal trading account of an individual representative who had a brokerage account outside the firm.

The suspension is in effect from November 18, 2013, through November 17, 2015. ([FINRA Case #2012030718001](#))

## Firms Fined

**ABN AMRO Securities (USA) LLC (CRD #151796, New York, New York)** 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 described sanctions and to the entry of findings that it failed to transmit almost all of its Reportable Order Events (ROEs) to the Order Audit Trail System (OATS™) that the firm was required to transmit to OATS. The findings stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning OATS. ([FINRA Case #2012033154301](#))

**Banca IMI Securities Corp. (CRD #19418, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in instances involving equity securities, the firm had fail-to-deliver positions at a registered clearing agency and did not close out the fail-to-deliver positions within the time frame prescribed by Rule 204(a)(1) of Regulation SHO promulgated under the Securities Exchange Act of 1934. ([FINRA Case #2011029882701](#))

**Barclays Capital Inc. (CRD #19714, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$115,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the Trade Reporting and Compliance Engine® (TRACE®) the correct contra-party identifier for transactions and S1 transactions in TRACE-eligible securities. The findings stated that the firm failed to report to TRACE transactions, P1 transactions and S1 transactions in TRACE-eligible securities it was required to report. The firm failed to report the correct execution time for P1 transactions in TRACE-eligible securities to TRACE. The firm failed to show the execution time on brokerage order memoranda. The findings also stated that the firm failed to preserve, for a period of not less than three years, the first two in an accessible place, some brokerage order memoranda. The findings also included that the firm failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. FINRA found that the firm served as managing underwriter, other than a secondary offering, and failed to report such distribution or offering to FINRA within the time frame set forth by FINRA Rule 6760(c). ([FINRA Case #2010023435301](#))

**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 \$85,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct trade execution time for S1 transactions in TRACE-eligible corporate debt securities and TRACE-eligible securitized products. The findings stated that the firm failed to report S1 transactions in TRACE-eligible securities, TRACE-eligible corporate debt securities, and block S1 transactions in TRACE-eligible

securities to TRACE within 15 minutes of the execution time. The firm failed to show the correct execution time on brokerage order memoranda. The findings also stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning TRACE reporting and trade reporting of over-the-counter (OTC) equity securities. The findings also included that the firm failed, within 30 seconds after execution, to transmit to the OTC Reporting Facility (OTCRF) last sale reports of transactions in OTC equity securities, and failed to designate some of them to the OTCRF as late. ([FINRA Case #2012033658001](#))

**C & Co/Princeridge LLC (CRD #149758, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$22,500, and required to revise its WSPs regarding Municipal Securities Rulemaking Board (MSRB) Rule G-14 and the reporting of accurate destination codes. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it improperly reported information to the Real-time Transaction Reporting System (RTRS) it should not have reported. The findings stated that the firm improperly reported purchase and sale transactions effected in municipal securities to the RTRS, when the inter-dealer deliveries were step-outs and thus, were not inter-dealer transactions reportable to the RTRS. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with MSRB Rule G-14 and the reporting of accurate destination codes. The findings also included that the firm failed to report transactions in TRACE-eligible securitized products to TRACE within the time required by FINRA Rule 6730. ([FINRA Case #2012033493301](#))

**Canaccord Genuity Inc. (CRD #1020, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$27,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate destination codes, inaccurate order receipt times, inaccurate report types, and/or reports that should not have been submitted to OATS. The firm failed to transmit ROEs to OATS for one of its market participant identifiers (MPIDs). The findings stated that the firm executed short sale orders and failed to properly mark the orders as short. The firm accepted orders from customers for execution in the pre-market session or post-market session without disclosing to such customers that extended-hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The findings also stated that the firm provided written notification to customers that failed to disclose information or disclosed inaccurate information. The firm failed to disclose that the firm acted as a market maker and/or provided inaccurate information regarding its capacity in transactions. ([FINRA Case #2010021587501](#))

**CIBC World Markets Corp. (CRD #630, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$130,000 and required to revise its WSPs regarding NASD Rule 3360 and FINRA Rule 4560. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, for approximately five years, it netted, for short-interest reporting purposes, long positions held in trading accounts of a non-broker dealer affiliate of the firm against short positions in the same securities held in the affiliate's trading accounts. The firm then changed its short-interest reporting logic and began netting long and short positions across the affiliate's multiple trading accounts. The findings stated that, as a result of the firm's intra-account netting of long and short positions held within each of the affiliate's trading accounts and the firm's netting of long and short positions across all of the affiliate's trading accounts, for a period of approximately five years, the firm reported incorrect short-interest positions. The firm later discontinued its policies of netting positions within each of the affiliate's accounts and the netting of long and short positions across all of the affiliate's accounts, and revised its short-interest reporting logic. After a certain date, only Type 5 short positions were included in the firm's short-interest reports, without regard to any offsetting positions in the same account, or long positions in any other account held by the affiliate. The findings also stated that the firm included certain positions held in the affiliate's non-cash collateral account in the firm's short-interest reports. Because the positions held in these non-cash accounts did not result from short sales pursuant to Rule 200(a) of Regulation SHO, they were not reportable as short-interest positions, and the firm then reported incorrect short-interest positions. The findings also included that the firm failed to establish, maintain and enforce a system of supervision and WSPs reasonably designed to achieve compliance with NASD Rule 3360 and FINRA Rule 4560. The firm's WSPs stated that, in calculating short-interest positions, long and short positions within individual accounts were to be netted against each other, and reported only if a net short position was maintained. ([FINRA Case #2009017886201](#))

**Citigroup Global Markets Inc. (CRD #7059, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct trade execution time for P1 transactions in TRACE-eligible corporate debt securities to TRACE, and failed to show the correct execution time on some brokerage order memoranda. The findings stated that the firm failed to report block-size S1 transactions in TRACE-eligible corporate debt securities to TRACE within 15 minutes of the time of execution. The findings also stated that the firm, as managing underwriter/securitizer, failed to report new issue offerings in TRACE-eligible corporate debt products to FINRA, in accordance with the time frame set forth in FINRA Rule 6760(c). As managing underwriter, the firm reported an inaccurate new issue submission for some new issue offerings in corporate debt securities. ([FINRA Case #2011028404101](#))

**CND Financial Ltd. (CRD #132864, Bulverde, Texas)** 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 described sanctions and to the entry of findings that it acted as placement agent for contingent securities offerings and failed to ensure that the bank, which had received investor funds during the contingency period of the offerings, had agreed in writing to hold all such funds in escrow for benefit of the investors in the offerings. The findings stated that in connection with each offering, the firm and the issuer entered into an escrow agreement with a bank that was designated to be the escrow agent for each offering. The prospectus for each offering stated that the escrow agent should deposit all proceeds from the sale of the bonds into an escrow account to be held by the escrow agent. Contrary to the terms of the prospectuses and the requirements of SEC Rule 15c2-4, the designated escrow agent did not deposit investor funds into accounts that it held. Instead, after receiving investment funds from each offering, the escrow agent transmitted those funds to an unaffiliated third-party bank that was not a party to the escrow agreement. The third-party bank deposited the investment funds from at least two of the offerings into a commingled bank account held in the name of the escrow agent, as opposed to the investors who had the beneficial interest in the funds. The findings also stated that the firm had inadequate supervisory systems and WSPs to supervise its contingent securities-offering business. The firm's systems and procedures did not have any provisions to ensure that escrowed customer funds received in connection with contingent securities offerings were being handled in accordance with the terms of offering prospectuses and the requirements of SEC Rule 15c2-4. The firm's supervisory systems and WSPs were also inadequate because they lacked provisions regarding the firm's due-diligence requirements for private placement offerings underwritten by third-party broker-dealers. ([FINRA Case #2012030722201](#))

**Elevation, LLC (CRD #140341, Charlotte, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$22,500, and required to revise its WSPs regarding written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in national market system (NMS) stocks that do not fall within any applicable exception; and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce written policies and procedures 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 inaccurately appended modifiers to transaction reports submitted to the FINRA/NASDAQ Trade Reporting Facility® (FNTRF) identifying such transactions as qualifying for an exception or exemption from SEC Rule 611 of Regulation NMS. The findings also stated that the firm failed to report the correct perspective (buy/sell indicator) to TRACE in transaction



reports in TRACE-eligible corporate securities. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning trade-reporting compliance of TRACE-eligible corporate securities. ([FINRA Case #2011030357001](#))

**E.J. De La Rosa & Co., Inc. (CRD #25334, Los Angeles, California)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$200,000, ordered to pay a total of \$43,564 in restitution to issuers, and to certify to FINRA in writing that it has completed a review of its WSPs and systems concerning compliance with MSRB Rule G-17, and implemented necessary revisions to such procedures and systems in order to ensure that they are in compliance with MSRB Rule G-17. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it was a member of Cal PSA, a municipal securities association, and was actively involved in Cal PSA's board of directors. The findings stated that most of this municipal securities association's members were underwriters of bond issuances. There is no statutory or regulatory requirement that a firm join the municipal securities association in order to underwrite a bond offering. The findings also stated that the firm received an invoice from the municipal securities association for underwriting assessments when it participated in the underwriting of transactions. In connection with those invoices, the firm paid the municipal securities association a total of \$68,371.30. As the firm knew, the municipal securities association billed its members on a per-bond basis, regardless of whether there was any direct relationship between that bond issuance and the association's activities, and regardless of whether the association provided any services required for the underwriting. The findings also included that the firm's practice of obtaining reimbursement for the voluntary payments to the municipal securities association from the proceeds of municipal and state bond offerings was unfair. The firm was aware that these assessments did not bear a direct relationship to any activities conducted with respect to each bond offering, and the firm was not required by any statute or regulation to be a member of the municipal securities association in order to underwrite bond offerings; yet the firm treated some of the municipal securities association's underwriting assessments as an expense of the transaction, and requested and received reimbursement of those payments from the proceeds of those bond offerings.

FINRA found that the firm, on behalf of itself and the other members of the underwriting syndicate, listed the voluntary municipal securities association underwriting assessments as expenses of the underwriting, with other costs such as travel, printing and telephone costs. However, unlike these categories of expense payments, the underwriting assessments did not directly correspond with work performed or costs incurred to underwrite each bond offering, and were not necessary to conduct the offering. As a result, the firm's requests for reimbursement were not fair because they were not accompanied by adequate disclosure to issuers about the nature of the fees. FINRA also found that the firm's practices resulted in the expenditure of the proceeds of municipal and state bond offerings to an organization that engaged in political activities, including hiring a lobbyist to monitor

political developments and advocating, from time to time, for various legislative action. To date, in response to a request from the Treasurer of the State of California, the firm has returned \$24,806.84 to multiple issuers, as a refund for the municipal securities association underwriting assessments that were reimbursed from offering proceeds. In addition, FINRA determined that the firm failed to adopt, maintain and enforce WSPs reasonably designed to ensure compliance with MSRB Rule G-17 as it relates to the conduct described above. The firm failed to establish reasonable procedures for reviewing and disclosing expenses for the municipal securities association and other municipal securities associations for which it requested reimbursement from the proceeds of municipal and state offerings, and for ensuring that those requests were fair and adequate. ([FINRA Case #2013037910801](#))

**Fidelity Brokerage Services LLC (CRD #7784, Smithfield, Rhode Island)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it received data feeds from a third-party vendor related to extraordinary redemption features of municipal securities. The findings stated that the firm mistakenly uploaded only one of the data feeds onto its systems. As a result, the special optional redemption features and special mandatory redemption features of municipal securities were not identified on the firm's systems, including systems available to its registered representatives. Municipal securities were not identified as callable by the firm notwithstanding its duty, under MSRB Rule G-17 to disclose this information. The findings also stated that the firm used the same third-party vendor to provide data feeds for material events disclosures related to municipal securities. That data was then provided by the firm to its representatives for use during their interactions with customers, and to customers directly through a website. The third-party vendor that the firm used provided it with an incomplete data feed of certain material events disclosures. Approximately 242,000 municipal securities listed on the firm's systems contained incomplete material events disclosures. The firm executed approximately 21,921 transactions in the relevant municipal securities. The findings also included that the firm failed to establish adequate systems, including WSPs, concerning the testing and inputting of municipal securities data it received from third parties reasonably designed to ensure compliance with MSRB rules. The firm's procedures lacked a formal process to review the accuracy of municipal securities data received from third-party vendors. The firm also lacked adequate supervisory procedures reasonably designed to ensure that the third party data it received was properly inputted into its systems. ([FINRA Case #2011029025001](#))

**Fidelity Brokerage Services LLC (CRD #7784, Smithfield, Rhode Island)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$23,500. The firm has paid a total of \$16,412.50 in restitution to address the violations of FINRA Rule 2010 and NASD Rule 2320. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in transactions for or with customers, it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. ([FINRA Case #2009020971201](#))

**Garden State Securities, Inc. (CRD #10083, Red Bank, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. The firm has paid a total of \$672.85 in restitution to address the violations of FINRA Rule 2010 and NASD Rule 2320. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders fully and promptly. The findings stated that in transactions, for or with customers, the firm failed to use reasonable diligence to ascertain the best inter-dealer market for the subject securities so that the resultant price to the customers would be as favorable as possible under prevailing market conditions. The findings also stated that the firm failed to show the correct entry time on brokerage order memoranda. ([FINRA Case #2010023958401](#))

**Hines Securities, Inc. (CRD #128145, Houston, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to maintain the required minimum net capital while conducting a securities business. The findings stated that the firm acted as a dealer manager and effected securities transactions while net capital deficient. The firm's net capital deficiency was due to the firm underestimating sales related expenses by \$1,530,000, which caused the firm to understate its payables and, in turn, its minimum net capital requirement. ([FINRA Case #2013036055801](#))

**INTL FCStone Securities Inc. (CRD #45993, Winter Park, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$44,500, and required to revise its WSPs regarding Rules 203(b)(3) (threshold close out requirement) and 204T (close out and pre-borrow requirements) of Regulation SHO. Without admitting or denying the findings, the firm consented to the described sanctions and to entry of findings that it had fail-to-deliver positions at a registered clearing agency in an equity security attributable to market-making activities, and did not close out the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by Rule 204T(a)(3) of Regulation SHO. The findings stated that the firm accepted short sale orders from another person, or effected short sales for its own account in an equity security, without first borrowing the security, or entering into a *bona fide* arrangement to borrow the security, and had fail-to-deliver positions at a registered clearing agency in such security that had not been closed out in accordance with the requirements of paragraphs (a) and (b) of Rule 204T of Regulation SHO. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning Rules 203(b)(3) and 204T of Regulation SHO. ([FINRA Case #2010021339001](#))

**Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed short sale transactions for

which it failed to report each of these transactions to the FNTRF with the correct symbols indicating that the transactions were sell short. The findings stated that the firm executed long sale transactions for which it failed to report each of these transactions to the OTCRF with the correct symbols indicating that the transactions were proprietary long sales. The firm transmitted reports to OATS that incorrectly submitted a special handling code, submitted an erroneous desk report, incorrectly submitted a customer instruction flag, incorrectly submitted a desk report and failed to submit a new order report, incorrectly submitted an execution to reflect the execution of an order, failed to submit OATS data for an order, and failed to submit routing reports to OATS to reflect the route of the order to outside market centers. The findings also stated that the firm incorrectly classified an order as covered for purposes of SEC Rule 605 order execution disclosure. The findings also included that for one month, the firm made available a report on the covered orders in NMS securities it received for execution from any person, which included incorrect information as to the amount of market center executed shares and away executed shares for various order type/size categories. The firm's report erroneously stated that all of the shares were executed at the market center by the firm, when they were in fact executed by an outside market center. FINRA found that the firm executed short sale orders and failed to properly mark the orders as short, and executed one long sale order and failed to properly mark the order as long. ([FINRA Case #2009016999901](#))

**National Financial Services LLC (CRD #13041, Boston, Massachusetts)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$60,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it received data feeds from a third-party vendor related to the extraordinary redemption features of municipal securities. The findings stated that the firm mistakenly uploaded only one of the data feeds onto its systems. As a result, the special optional redemption features and special mandatory redemption features of municipal securities were not identified on the firm's systems. Municipal securities were not identified as "callable" by the firm because of this error. Approximately 5,984 transactions were executed in these municipal securities by the firm's correspondents. The firm failed to identify these securities as callable on confirmations issued for these transactions. The findings also stated that the firm failed to establish adequate systems, including WSPs, concerning the testing and inputting of municipal securities data that it received from third parties reasonably designed to ensure that it was in compliance with MSRB rules. The firm's procedures lacked a formal process to review the accuracy of data received from third-party vendors. The firm also lacked adequate supervisory procedures reasonably designed to ensure that the third-party data it received was properly inputted into its systems. ([FINRA Case #2012031282301](#))

**Raymond James & Associates, Inc. (CRD #705, St. Petersburg, 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 described sanctions and to the entry of findings that it incorrectly disclosed its capacity as agent on some

occasions for one order when it instead acted in a riskless principal capacity; incorrectly disclosed its capacity as agent on some occasions for several orders when it instead acted as a dual agent; incorrectly disclosed its capacity as acting only as principal on some occasions for one order when it acted instead in multiple capacities as dual agent, riskless principal and principal; incorrectly disclosed its capacity as acting only as principal on several occasions for one order when it acted instead in multiple capacities as both agent and riskless principal; incorrectly disclosed its capacity as acting only as agent on one occasion for one order when it acted in multiple capacities as dual agent, riskless principal and principal; and incorrectly disclosed its compensation as a commission when it acted in a riskless principal capacity on numerous occasions for one order. The findings stated that the firm incorrectly marked short sales as long sales on numerous occasions on its proprietary trade ledger, and incorrectly marked long sales as short sales on numerous occasions on its proprietary trade ledger. ([FINRA Case #2011026165201](#))

**RBC Capital Markets, LLC (CRD #31194, 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 described sanctions and to the entry of findings that it failed to execute customer limit orders after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The findings stated that the firm failed to contemporaneously execute customer limit orders after it traded each subject security for its own market-making account, and failed to execute such orders at a price that would have satisfied each customer's limit order. The firm purchased municipal securities for its own account from customers and/or sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant facts, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. The findings also stated that the firm failed to report transactions for a particular MPID in TRACE-eligible securitized products to TRACE. The firm failed to report the correct contra-party's identifier for transactions in TRACE-eligible securitized products to TRACE, and reported inter-dealer transactions for its MPID as customer trades. ([FINRA Case #2011028031401](#))

**R.F. Lafferty & Co., Inc. (CRD #2498, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$22,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to provide written notification disclosing to its customers that transactions were executed at an average price, or erroneously disclosed that the transactions were executed at an average price. The findings stated that the firm made publicly available a report of its routing of non-directed orders in covered

securities that failed to identify accurately and completely the market centers to which the firm routed non-directed orders in covered securities, and failed to correctly disclose the percentage of total non-directed orders routed to each market center. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with Rule 611(a), (b) and (c) of Regulation NMS. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA and SEC rules addressing order handling, best execution, trade reporting, sale transactions, Rule 10b-21 of the Securities Exchange Act of 1934, trade reporting facility sale reporting requirements, OATS, OATS/trade reporting facility data matching, other trading rules and other rules, monitoring of electronic communications and use of multiple MPIDs. The findings also included that the firm failed to provide documentary evidence it performed the supervisory reviews set forth in its WSPs concerning anti-intimidation/coordination, OATS, other trading rules and other rules. ([FINRA Case #2011026111301](#))

**Rives, Leavell & Co. (CRD #11206, Jackson, Mississippi)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and required to file with FINRA, within 30 days of the effective date of the AWC, all current retail communications; and to file with FINRA, for one year from the effective date of the AWC, all new retail communications. Offering documents are excluded from the definition of current and new retail materials and the firm is not required to file offering documents as part of this undertaking. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to approve certain advertisements and pieces of sales literature prior to use. The findings stated that the firm's registered principal dated and approved newspaper advertisements, brochures and a pastor letter after use, rather than prior to use. The findings also stated that the firm disseminated newspaper advertisements, brochures, pastor letters, a mailed advertisement and offering documents, all of which contained improper content related to church bond investments exempt from registration under the Securities Act of 1933. These communications failed to comply with FINRA's advertising rules, generally failed to adequately explain or highlight the risks associated with the investments, contained misleading language, or failed to explain or define certain investment terms. ([FINRA Case #2013035332501](#))

**Robert W. Baird & Co. Incorporated (CRD #8158, Milwaukee, Wisconsin)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that on numerous occasions, it provided written notification to customers that failed to disclose information or disclosed inaccurate information. The findings stated that the firm incorrectly disclosed its compensation as commission, failed to disclose that transactions were executed at an average price, failed to disclose that the firm acted as a market maker, incorrectly disclosed that shares were executed at an average price, and incorrectly disclosed that the price reflected on the confirmation was the reported trade price when the shares were executed at an average

price. The firm failed to properly record executions as either long or short in its trading ledger. The findings also stated that the firm made available reports on the covered orders in NMS securities it received for execution from any person, which included incorrect information as to the number of covered orders, the cumulative number of shares of covered orders, number of shares of covered orders cancelled prior to execution, average realized spread for executions of covered orders, the share-weighted average period from the time of order receipt to the time of order execution (for shares executed with price improvement), the share-weighted average period from the time of order receipt to the time of order execution (for shares executed at the quote) and execution data. ([FINRA Case #2010021588301](#))

**Sanford C. Bernstein & Co., LLC (CRD #104474, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it had fail-to-deliver positions at a registered clearing agency in securities that resulted from long sales, and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed by Rule 204(a)(1) of Regulation SHO. The findings stated that the firm knew or had reasonable grounds to believe that the sale of the securities was or would be effected pursuant to an order marked long, and failed to deliver the security on the date delivery was due. ([FINRA Case #2010024106301](#))

**Scott & Stringfellow, LLC (CRD #6255, Richmond, Virginia)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$37,500 and required to revise its WSPs regarding order handling, SEC Rule 611 of Regulation NMS, best execution, sales transactions, and OATS. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it made available for one month a report on the covered orders in NMS securities it received for execution from any person, which failed to cover an original order and incorrectly classified the replaced order as a near-the-quote limit order when it should have been an at-the-quote limit order; and failed to reflect cancelled shares from an order. The findings stated that for a calendar quarter, the firm made publicly available a report on its routing of non-directed orders in covered securities that included incorrect information as to the routing of New York Stock Exchange (NYSE) securities. The findings also stated that the firm failed to establish, maintain and enforce written policies and procedures 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 firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with certain applicable securities laws, regulations and FINRA rules addressing order handling, SEC Rule 611(c) of Regulation NMS, best execution, sale transactions, and OATS. The findings also included that during one month, the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning best execution, backing away, OATS, and accurate books and records. ([FINRA Case #2011026157401](#))

**Scottrade, Inc. (CRD #8206, St. Louis, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$100,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it inaccurately reported and failed to report short interest positions. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with NASD and FINRA rules regarding short interest reporting. ([FINRA Case #2009018505901](#))

**Southwest Securities, Inc. (CRD #6220, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it 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 or borrowing securities of like kind and quantity within the time frame prescribed by Rule 204(a)(1) of Regulation SHO. ([FINRA Case #2010024987401](#))

**UBS Financial Services Inc. (CRD #8174, Weehawken, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$260,000. The firm has paid a total of \$131,534.81 in restitution to address the violations of MSRB Rules G-17 and G-30(a), NASD Rules 2110 and 2320, and FINRA Rule 2010. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it purchased municipal securities for its own account from customers and/or sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transactions and of any securities exchanged or traded in connection with the transactions; the expense involved in effecting the transactions; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transactions. The findings stated that in transactions for or with customers, the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also stated that the firm failed to report block S1 transactions in TRACE-eligible agency debt securities and TRACE-eligible corporate debt securities to TRACE within 15 minutes of the execution time. ([FINRA Case #2009018081101](#))

**The Vertical Trading Group, LLC dba The Vertical Group (CRD #104353, New York, 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 described sanctions and to the entry of findings that it submitted inaccurate account types and/or time in force codes and incorrectly indicated an order was directed by the customer to be routed to a specific market center, submitted duplicate reports to OATS, and incorrectly submitted a riskless principal



capacity to OATS. The findings stated that the firm failed to report sales transactions to the OTCRF with an accurate short sale indicator, failed to report a transaction to the OTCRF, and inaccurately reported its executing capacity to the OTCRF. The findings also stated that the firm inaccurately denoted one or more of the following customer confirmation disclosures, including executing capacity, compensation type, market making status, and that the transactions were executed at an average price. The firm failed to provide a customer confirmation and/or account statements. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA and SEC rules addressing best execution, sales transactions, prohibition of execution/display of an NMS short sale regarding Rule 201, and other rules. FINRA found that the firm failed to provide documentary evidence that during one month, it performed the supervisory reviews set forth in its WSPs concerning order handling, other rules, and use of MPIDs. ([FINRA Case #2012031644401](#))

**VFinance Investments, Inc. (CRD #44962, Boca Raton, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and ordered to pay \$467.71, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders fully and promptly. The findings stated that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. ([FINRA Case #2011028200101](#))

**Vining-Sparks IBG, Limited Partnership dba Vining Sparks (CRD #27502, Memphis, Tennessee)** 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 described sanctions and to the entry of findings that it failed to establish, maintain and enforce a reasonably designed system for supervising a branch office employee to ensure that the individual complied with the requirements of rules related to trading in fixed-income securities. ([FINRA Case #2008012367902](#))

## Individuals Barred or Suspended

**Howard Joseph Allen III (CRD #2033586, Registered Principal, Tarrytown, New York)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the allegations, Allen consented to the described sanctions and to the entry of findings that, acting outside the course and scope of his employment with his member firms, he participated in private securities transactions from which he received selling compensation, without providing prior written or oral notice to his firms of his proposed roles in, or the selling compensation that he might receive from, the transactions.

The suspension is in effect from January 6, 2014, through September 5, 2014. ([FINRA Case #2010022586201](#))

**Steven Franklin Bracy (CRD #1504678, Registered Representative, Palm Beach Gardens, 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, Bracy consented to the described sanction and to the entry of findings that he failed to appear for FINRA on-the-record interviews concerning whether he had misappropriated funds of FINRA member firms by submitting false expense reports. ([FINRA Case #2013036701401](#))

**Jinesh Pravin Brahmhatt (CRD #2491299, Registered Representative, Potomac, Maryland)** 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, Brahmhatt consented to the described sanction and to the entry of findings that he failed to appear and testify at a disciplinary proceeding regarding a complaint FINRA filed against his member firm and its CEO/president alleging that they engaged in an \$18 million offering fraud in connection with the sale of promissory notes. ([FINRA Case #2012034211303](#))

**Irving Marvin Burstein (CRD #1218326, Registered Principal, Boynton Beach, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any principal capacity for one year and required to cooperate with FINRA or any other regulator in any further investigation and hearing related to his member firm. In light of Burstein's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Burstein consented to the described sanctions and to the entry of findings that he was his firm's CCO, whose duties included reviewing customer accounts to detect and monitor for unsuitable transactions, excessive trading activity, unauthorized trading/transactions, excessive losses, wholesale recommendations, excessive securities concentrations, and large or routine debit balances. The findings stated that Burstein failed to review customer accounts for any of these things and limited his daily activities to reviewing the trade blotter and order tickets, and listening to registered representatives make cold calls. Burstein's review of customer account activity was limited to a quarterly review of customer files, selected on a random basis. Burstein did not perform the customer file review in conjunction with any review of trading activity in customer accounts. The findings also stated that the firm's WSPs provided that the firm would utilize exception reports to monitor for excessive trading but the firm did not begin receiving the reports until a later date. Even when the firm began receiving the exception reports from the clearing firm, Burstein failed to review them. The turnover ratios and cost-to-equity ratios in the exception reports indicated that, on average, some firm customer accounts were being excessively traded each month. The findings also included that despite being the designated principal to review customer accounts for suitability, Burstein did not review transactions for suitability. Consequently, firm registered representatives made unsuitable recommendations to customers and used excessive margin in trading their accounts. Many firm customers sustained significant losses.

FINRA found that the firm's WSPs provided that customer comfort letters be sent to active accounts but Burstein failed to send any as required until a later date. The information contained in the comfort letters was inadequate to explain to the customer why he or she was receiving the letter, and the letter failed to provide any indication that the customer's account was being excessively traded. FINRA also found that Burstein failed to review registered representatives' email, and failed to place registered representatives on heightened supervision in accordance with the WSP requirements (e.g. when customer complaints were received). As a result, numerous customer complaints were not reviewed, and registered representatives were allowed to engage in sales practice abuses, such as unauthorized trading and churning, with virtually no oversight. As the CCO, Burstein effectively ignored his responsibilities to supervise the activities of the firm's registered representatives and to implement and enforce the firm's WSPs.

The suspension is in effect from December 16, 2013, through December 15, 2014. ([FINRA Case #2011027667401](#))

**Rinnie KF Chan (CRD #4225956, Registered Representative, Edison, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Chan's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Chan consented to the described sanctions and to the entry of findings that she sold fixed life insurance policies issued by a non-member firm-affiliated insurance company for which she was compensated approximately \$69,000 in commissions. The findings stated that Chan did not submit the applications through the firm's Enterprise General Agency or declare the sales to the firm as an outside business activity. In her annual attestation, Chan falsely certified to the firm that she had not been engaged in any outside business activities, except for those previously disclosed.

The suspension was in effect from December 2, 2013, through January 1, 2014. ([FINRA Case #2011030533101](#))

**Anil K. Chaturvedi (CRD #2421737, Registered Representative, Geneva, Switzerland)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$60,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Chaturvedi's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Chaturvedi consented to the described sanctions and to the entry of findings that he established a trust fund for a customer with her nephew as the account's beneficiary. The findings stated that several years after the customer's death, Chaturvedi learned that the nephew had actually funded the account to shield his money

from U.S. tax liability. Chaturvedi did not report this information to anyone until a later date because he was concerned the information would trigger an Internal Revenue Service (IRS) investigation of the nephew and himself. After the nephew filed a complaint with Chaturvedi's firm, Chaturvedi reported the matter to the IRS but never reported the information to his firm. The findings also stated that there were numerous suspicious transfers of money totaling approximately \$8 million between unrelated accounts belonging to Chaturvedi's clients and from the clients' accounts to third parties. Chaturvedi was aware of the transfers and although the transfers raised "red flags" of potentially suspicious activity, he failed to inquire further or report the suspicious activities to his firm. Most of the transactions involved \$100,000 or less, and some involved \$50,000 or less. The findings also included that Chaturvedi failed to implement his firm's AML policies by failing to investigate red flags of potentially suspicious activity. Chaturvedi failed to conduct additional due diligence or raise concerns to his supervisor as mandated under the firm's AML procedures. There were also suspicious, cryptic emails between Chaturvedi and his clients relating to some of the transfers. The wire transfers raised red flags that should have caused Chaturvedi to conduct an additional inquiry and report potentially suspicious activity to his firm. Many of the transfers were from a firm account belonging to one particular customer and were executed pursuant to Letters of Authorization (LOAs) the customer gave Chaturvedi signed in blank, and Chaturvedi filled in the terms of the transfers at the time of the transfer.

FINRA found that this matter came to light following a complaint filed with his firm. In addition to the blank LOAs, Chaturvedi's firm found signed but otherwise blank LOAs for another customer, and standing LOAs for transfers of funds where the signature had been cut out of another document and pasted in. The firm also found monthly account statements for a trust account and other customers' accounts that had the liabilities sections covered over by a blank piece of paper. As a result, Chaturvedi created and submitted falsified documents to the firm, causing the firm to create and maintain inaccurate books and records in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder.

The suspension is in effect from December 2, 2013, through June 1, 2015. ([FINRA Case #2011028756701](#))

**Connie Louise Clarke (CRD #4116064, Registered Principal, Athens, New York)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for five months. The fine must be paid either immediately upon Clarke's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Clarke consented to the described sanctions and to the entry of findings that she submitted inaccurate expense reports to her firm that included a meal where she identified an attendee who was not present at the meal, meals where the attendees Clarke identified

were inaccurate, and a person with whom she was having a personal relationship was present at the meals and not identified on the expense report. The findings stated that Clarke's firm discovered the discrepancies before fully reimbursing her for her expenses. Clarke was also responsible for tracking her business contacts and meetings in a firm system. Clarke made numerous inaccurate entries in the system, incorrectly identifying meeting attendees and recording meetings that never occurred. The findings also stated that by submitting false expense reports and inaccurate system entries, Clarke caused her firm's books and records to be inaccurate.

The suspension is in effect from December 2, 2013, through May 1, 2014. ([FINRA Case #2011030687301](#))

**Benjamin Irby Cox (CRD #5761085, Registered Representative, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Cox's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Cox consented to the described sanctions and to the entry of findings that he cold-called potential investors as part of a process to identify investors for oil and gas offerings his firm offered and sold. The findings stated that during the cold calls, Cox was responsible for gathering and documenting suitability information about the potential investors. Cox was supposed to verify the potential investor's name, address and occupation, and obtain financial and investment experience information, and was also supposed to determine the potential investor's interest in oil and gas investments. Upon obtaining this information, Cox was required to document the information he gathered on contact forms and submit them to the firm. The findings also stated that Cox falsified the suitability information on some contact forms he submitted to the firm. In particular, the contact forms contained false information about the potential investor's address, occupation, financial status and/or investment experience.

The suspension is in effect from December 2, 2013, through December 1, 2014. ([FINRA Case #2012030728501](#))

**Timothy John Coyle (CRD #2437046, Registered Representative, Palm Harbor, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Coyle's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Coyle consented to the described sanctions and to the entry of findings that he forged signatures on documents and also forged a customer's initials next to amendments to a variable annuity application. The findings stated that the customer signatures and initials Coyle forged were done without the customers' knowledge or consent.

The suspension is in effect from December 2, 2013, through June 1, 2014. ([FINRA Case #2012031517302](#))

**Donald Richard Dahn (CRD #2172800, Registered Representative, Palm City, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Dahn consented to the described sanction and to the entry of findings that he borrowed a total of \$27,100 from public customers without the ability to repay the loans that had been represented to be used for operating expenses for a company Dahn ran with his brother. The findings stated that Dahn failed to disclose the loans to his member firms. The firms' WSPs prohibited borrowing money from customers. Dahn has failed to repay either of the loans, one of which required payment within 90 days. Dahn misappropriated the funds by failing to repay either loan, and by borrowing customer funds without the ability to repay the loans. ([FINRA Case #2013036768101](#))

**Michael Andrew DeRosa (CRD #2491296, Registered Representative, Bethesda, Maryland)** 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, DeRosa consented to the described sanction and to the entry of findings that he failed to appear and provide testimony regarding his involvement, if any, in a company's offer and sale of promissory notes. The findings stated that DeRosa, through counsel, informed FINRA that he would not appear and provide on-the-record testimony. ([FINRA Case #2013035683401](#))

**Patrick Joseph Donohue (CRD #4439545, Registered Representative, Sausalito, 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, Donohue consented to the described sanction and to the entry of findings that he engaged in an undisclosed outside business activity by providing tax preparation assistance and various other services to customer accounts and received approximately \$57,897 in payments. The findings stated that Donohue did not provide his member firm with written notice of this activity and did not obtain the firm's approval to engage in the activity. Donohue's firm's WSPs and procedures prohibited firm employees from engaging in outside business activities without submitting a written request and obtaining firm approval prior to engaging in those activities. The findings also stated that Donohue assisted a trust with preparing a financial audit for which he anticipated receiving \$4,200. Donohue drafted and signed a check for \$4,200 from the trust account payable to himself, even though he was neither an authorized signer nor a fiduciary for the account and was not authorized to sign a check from the account. A recently deceased individual was the only authorized signer for the trust account. Donohue was not appointed as successor trustee and did not obtain check-writing authority until later. Donohue drafted and signed an additional \$4,200 check from the trust account payable to himself to which he was not entitled because he had previously obtained the \$4,200 by the earlier check. The findings

also included that Donohue completed a firm questionnaire and falsely indicated that he did not engage in any outside business activities. Donohue stated that he was not named as a beneficiary on a non-family member account although he was aware an individual had designated him as a beneficiary of his estate that maintained a trust account with the firm. The firm's written policies and procedures required employees to immediately notify their supervising managers if they learned they had become the beneficiary of a customer's estate, but Donohue did not follow these procedures.

FINRA found that on a firm questionnaire, Donohue denied he was compensated outside of firm payroll even though he had knowingly accepted compensation from a firm registered representative for whom he had worked as a sales assistant. The firm required that all financial advisers pay bonuses to sales assistants through the firm's online payroll system. The representative and Donohue deliberately sought to conceal these payments from the firm by routing the payments through a checking account held by the representative's wife away from the firm. Donohue received a total of \$18,001 through the wife's checking account. FINRA also found that in annual compliance questionnaires, Donohue falsely denied he engaged in any outside business; served as a beneficiary on a non-family member account; acted in a fiduciary capacity on any accounts; accepted checks and/or securities from clients within the past year even though during one year he did; received compensation from financial advisers outside of firm payroll systems; and denied receiving any gifts worth over \$100 from clients within the past 12 months, even though he accepted cash and stock gifts from an individual contrary to firm policy. Donohue worked with the individual to circumvent this policy by arranging for the transfer of shares of stock to Donohue via a third party. In other questionnaires, Donohue indicated he had not provided any false information in the questionnaires, which was inaccurate.

In addition, FINRA determined that a fraudster impersonated a firm customer and hacked into the customer's email account. Donohue received emails from the email address on file for the customer, who was a signatory on a firm account for an entity. The emails contained instructions for wire transfers to be made from the entity's account to third-party destinations. Donohue completed verbal wire processing forms in which he falsely indicated he spoke to the customer regarding the wire requests contrary to firm policy, which required employees to have direct verbal communication with customers prior to effecting wire transfers. After Donohue submitted the forms to the firm, wire transfers totaling \$63,000 were effected. Subsequently, it was discovered that the customer had not authorized the transfers and the firm reimbursed the entity for its losses. Moreover, FINRA found that by falsifying firm documents, Donohue caused the firm to maintain inaccurate books and records. ([FINRA Case #2012033272801](#))

**Lunick Jean Dorleus (CRD #5436401, Registered Representative, Greenacres, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for nine months. In light of Dorleus' financial status, no monetary sanction has been imposed. Without admitting or denying

the findings, Dorleus consented to the described sanction and to the entry of findings that, at the behest of an individual, Dorleus and other individuals formed an investment club whereby investors' funds would be collected, forwarded to the individual or entities the individual controlled, and ultimately used by the individual for unspecified securities investments. The findings stated that Dorleus participated in private securities transactions of investors. In some cases, the investors had heard about an investment opportunity whereby their funds would be doubled by the individual in a 90-day time period. In other cases, Dorleus informed the investors about the investment opportunity with the individual. In all cases, Dorleus collected checks or money orders from the investors, ranging from \$1,000 to \$15,000 and totaling \$31,000, which he then forwarded from the investment club to the individual or entities that the individual controlled. The investors' investments in which Dorleus participated were securities. The findings also stated that Dorleus was paid selling compensation for making the referrals to the other individual in the amount of \$5,000. Prior to participating in the private securities transactions, Dorleus did not notify his member firm of the transactions or his proposed role in the transactions. The findings also included that the SEC obtained an emergency court order to halt an alleged Ponzi scheme and affinity fraud perpetrated by the individual that had collected more than \$23 million from thousands of investors in the Haitian-American community nationwide through a network of purported investment clubs.

The suspension is in effect from December 2, 2013, through September 1, 2014. ([FINRA Case #2011029760701](#))

**Nicholas Tilden Drew (CRD #2774394, Registered Representative, Cypress, Texas)** 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 days. Without admitting or denying the findings, Drew consented to the described sanctions and to the entry of findings that he falsified customers' signatures on cash distribution forms that authorized the withdrawal of funds from joint brokerage accounts. The findings stated that while the customers approved the transactions, they did not authorize Drew to affix their signatures to the cash distribution forms. Drew's member firm's procedures strictly prohibited affixing a customer's signature on any documents.

The suspension was in effect from December 16, 2013, through January 14, 2014. ([FINRA Case #2012031830601](#))

**Kerwyn Neil Escayg (CRD #4067573, Registered Representative, Houston, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Escayg consented to the described sanctions and to the entry of findings that he exercised discretion in customers' accounts without written authorization and acceptance of the customers' accounts as discretionary by the customers or his member firm. The findings stated that Escayg used discretion to execute transactions in the customers' accounts after the customers pressured him to do something.



The suspension was in effect from December 16, 2013, through December 30, 2013. ([FINRA Case #2010021555801](#))

**Paul D. Ferrante (CRD #4525287, Registered Representative, Mamaroneck, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Ferrante consented to the described sanctions and to the entry of findings that while registered with his member firm and in anticipation of his move to a new firm, he moved documents related to firm customers he serviced from his firm office to his home. The findings stated that the documents contained non-public personal information, as that term is defined under Regulation S-P of the Securities Exchange Act of 1934, and Ferrante moved them without authorization and in contravention of his firm's policies. Among other things, the non-public personal information included customers' asset and income information, health information, addresses, birthdates and employment information. By removing the customers' files from his firm's control and possession, Ferrante placed the customers' non-public personal information at risk.

The suspension was in effect from December 2, 2013, through December 6, 2013. ([FINRA Case #2011026450201](#))

**Mitchell Harris Fillet (CRD #207546, Registered Principal, Rockville, Maryland)** was fined a total of \$20,000 and suspended from association with any FINRA member in any capacity for 18 months for a fraud violation and suspended from association with any FINRA member in any capacity for two years for falsifying his member firm's records and providing them to FINRA. The suspensions shall be served consecutively. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Fillet made misrepresentations and omissions of material information in connection with the purchase and sale of a security, and that he acted with scienter, in violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, NASD Rules 2120 and 2110, and IM-2310-2. The findings stated that Fillet backdated variable annuity account documents for customers' transactions, resulting in false firm records, and provided these false documents to FINRA, in violation of NASD Rules 3110 and 2110.

The decision has been appealed to the SEC and the sanctions are not in effect pending review. ([FINRA Case #2008011762801](#))

**Randall Lee Freeze (CRD #3018277, Registered Representative, Aransas Pass, Texas)** 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 six months. The fine must be paid either immediately upon Freeze's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Freeze consented to the described sanctions and to the entry of findings that

he forged customers' signatures on books and records suitability update (BRSU) forms, without the customers' knowledge, authorization or consent, and submitted them to his firm. The findings stated that the firm instituted a BRSU process pursuant to which registered representatives were required to obtain updated suitability information on behalf of all of their customers, and each customer was required to sign a form that verified the customer's information pertinent to making a suitability determination. Registered representatives were provided with a 14-month deadline to obtain the updated information, and failure on their part to do so would result in a transfer of the account to a new broker at the firm's call center. The findings also stated that the firm's WSPs stated that registered representatives were not permitted to sign documents on their customers' behalf, even if their customers requested that they do so. The firm distributed a compliance alert to all employees advising that falsifying or forging a client's signature to any client document, specifically including the BRSU form, constituted a violation of FINRA Rule 2010 and was grounds for immediate termination.

The suspension is in effect from December 2, 2013, through June 1, 2014. ([FINRA Case #2012033798101](#))

**Alejandra Gandara (CRD #2828142, Registered Representative, El Paso, Texas)** 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, Gandara consented to the described sanction and to the entry of findings that she informed FINRA that she would not appear to testify at an on-the-record interview concerning her possible undisclosed outside business activities while registered with a member firm, among other possible activities. ([FINRA Case #2012031460901](#))

**David Thomas Gilg (CRD #3106215, Registered Representative, Hilliard, Ohio)** submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the allegations, Gilg consented to the described sanctions and to the entry of findings that he failed to timely update his Form U4 to disclose a felony charge and conviction. The findings stated that the felony charge and conviction were material facts that a reasonable employer would have viewed as relevant to Gilg's employment, especially since a felony conviction could subject an individual to statutory disqualification. Gilg's failure to timely amend his Form U4 to disclose the felony charge and conviction in response to the related questions on his Form U4 caused his firm to employ Gilg while he was statutorily disqualified.

The suspension was in effect from December 2, 2013, through January 14, 2014. ([FINRA Case #2011028193801](#))

**Keith Andrew Halsnik (CRD #5018189, Registered Representative, Bellefonte, Pennsylvania)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Halsnik failed to timely and fully respond to FINRA's initial requests

for information and documents as part of an inquiry to determine, among other things, whether Halsnik engaged in excessive trading in customer accounts. The findings stated that it was not until FINRA sent Halsnik a notice of suspension pursuant to FINRA Rule 9552 that he responded. The findings also stated that Halsnik failed to respond to additional FINRA requests for information and documents regarding mutual fund transactions in customer accounts. The findings also included that Halsnik failed to respond to a FINRA request for testimony. ([FINRA Case #2011029300801](#))

**Harry Shaw Hammond (CRD #2261856, Registered Principal, Sarasota, Florida)** 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 12 months. The fine must be paid either immediately upon Hammond's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hammond consented to the described sanctions and to the entry of findings that he participated in private securities transactions without his member firm's approval by referring individuals and entities to invest with a private investment company that purportedly specialized in private investment in public equity (PIPE) transactions. The findings stated that in discussions with potential investors, which included firm clients, Hammond reported his own success as an investor with the company, distributed information from the company and referred interested customers. Individuals Hammond referred invested more than \$4 million. As a result of these referrals, the company paid \$18,000 to Hammond's wife, who was not registered but worked as Hammond's administrative assistant, because the company was not a firm-approved product. The findings also stated that Hammond invested \$100,000 in the company and on that same day, he submitted an Outside Business Activity request to his firm to approve his personal investment in the company. Hammond informed the firm that he would not raise capital, refer individuals, solicit investments or receive commissions from the company. Hammond's request was approved.

A few months later, Hammond submitted to his firm a request to form a general partnership to raise capital for the company. Approximately nine months after Hammond submitted the request, the firm denied it, and explicitly prohibited him from participating in the activity described. Both before and after the firm's denial of Hammond's request, he recommended investments in the company, told potential investors about his own returns, in some cases showing them his personal investment statements or providing them with written materials from the company, and referred interested parties to a manager at the company. The findings also included that the SEC sued the company for misappropriation of over \$4 million in client assets, misrepresentations to investors, and failure to maintain required books and records, and placed the company in receivership. Hammond's wife returned the \$18,000 the company paid to the receiver. Investor losses have not yet been determined. Hammond is currently a creditor in the company's receivership for his investment losses and to date has not received any distributions.

The suspension is in effect from November 18, 2013, through November 17, 2014. ([FINRA Case #2013035961601](#))

**Shawn Charles Haynes (CRD #2939522, Registered Representative, Arverne, New York)** submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for two months. In light of Haynes' financial situation, no monetary sanctions have been imposed. Without admitting or denying the allegations, Haynes consented to the described sanction and to the entry of findings that he sold promissory notes issued by his member firm's parent company without having a reasonable basis for recommending the notes to any customer. The findings stated that Haynes did not take any meaningful steps to understand the company's financial condition and recommended the notes to customers for whom the speculative investment was unsuitable. Haynes failed to conduct a reasonable investigation of the issuer of the notes to determine whether the securities being offered were suitable for recommendation to any customer, and the risks or rewards of the investment. Haynes did not have a reasonable understanding of the company's financial condition when he sold the notes to his customers. The findings also stated that Haynes made material misstatements and omitted material facts in connection with the offer and sale of the promissory notes to investors. The misstatements and omissions concerned material facts about the safety of the investment, the company's financial condition and Haynes' own lack of understanding of the company's financial condition. The findings also included that Haynes caused the firm to create and maintain a customer account form containing inaccurate information about a customer's investment objective and risk tolerance.

The suspension is in effect from December 16, 2013, through February 15, 2014. ([FINRA Case #2011026346206](#))

**William Larry Hogue Jr. (CRD #4391310, Registered Representative, Evans, Georgia)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for 14 months. The fine must be paid either immediately upon Hogue's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hogue consented to the described sanctions and to the entry of findings that he participated in an outside business activity without providing prompt written notice to his firm. The findings stated that Hogue and others formed an entity for which he served as co-chief executive manager and, as such, was directly involved in the management of the entity's business. The firm discovered Hogue's involvement with the entity through routine review of Hogue's emails. Hogue disclosed the outside business activity to the firm only after his supervisor advised him to do so. The firm specified that its representatives must both provide notice and obtain approval before engaging in an outside business activity. The findings also stated that Hogue submitted a false attestation indicating that he was not involved in any outside business activity, failed to disclose his involvement with the

entity to the firm in a timely manner, and did not receive approval from the firm prior to forming the entity and acting as its managing member. The findings also included that Hogue financed the entity and the purchase and operation of the entity's business by participating in the sale of unsecured promissory notes. Hogue retained counsel to draft the notes, signed the notes on the entity's behalf, and issued the notes to customers. The promissory notes totaled in aggregate \$1,150,000 and were sold to individuals, at least one of whom was a customer of Hogue's firm. FINRA found that Hogue failed to provide prior written notice to the firm of his participation in the sale of the promissory notes on the entity's behalf and failed to receive the firm's written approval.

The suspension is in effect from December 2, 2013, through February 1, 2015. ([FINRA Case #2012031865801](#))

**Grant Allen Howes (CRD #4051468, Registered Representative, Roseville, California)** 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 one month. The fine must be paid either immediately upon Howes' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Howes consented to the described sanctions and to the entry of findings that due to market conditions on a certain date, he sold shares of a security and/or shares of another security in some of his customers' accounts, without their authorization prior to executing the transactions in their accounts. The findings stated that due to market conditions on another date, Howes sold shares of one of these securities in one of his customer's accounts without contacting the customer and receiving authorization prior to executing the transaction. On that same date, after selling the shares of securities in the customers' accounts, Howes contacted the customers and informed them of the transactions. None of the transactions resulted in losses to the customers.

The suspension was in effect from December 2, 2013, through January 1, 2014. ([FINRA Case #2012033416001](#))

**Hugh Robert Hunsinger Jr. (CRD #2179745, Registered Representative, Pinebrook, New Jersey)** was barred from association with any FINRA member in any capacity and ordered to pay \$1,452,503.57, plus interest, in restitution to customers. The sanctions were based on findings that Hunsinger converted funds from the brokerage accounts of customers, his parents. The findings stated that in total, Hunsinger transferred \$1,452,503.57 from his parents' accounts to bank accounts in his name. Neither of his parents had an account at the banks he transferred the money to, and neither authorized the transfer of funds from their brokerage accounts to Hunsinger or to accounts at the banks. The findings also stated that Hunsinger engaged in securities fraud, willfully violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, FINRA Rule 2020 and NASD Rule 2120, by convincing his parents to agree to sell securities to purchase an annuity, even

though he used the sales proceeds for other purposes. Hunsinger provided his parents with documents that purported to be designed for one of them and that contained information, based on an historical illustration, about withdrawals, contract values, cash surrender, average annual returns and standard death benefits. Hunsinger's parents agreed to the recommendation and believed based on what their son told them, that their securities would be sold over time to purchase the annuity in a series of payments. The findings also included that Hunsinger made repeated false statements to his parents, both orally and in writing, that the investments had been made, when they had not been made, and he was stealing their funds. Hunsinger falsely confirmed to his parents that he had purchased the annuity and represented that securities in their accounts would continue to be sold and money from the sales would continue to be transferred into the annuity over time. Although Hunsinger did not purchase an annuity for his parents, he continued to make disbursement requests, securities continued to be sold to satisfy those requests, and the proceeds continued to be distributed to Hunsinger's or his parents' bank accounts according to his direction.

FINRA found that Hunsinger misstated material facts and made misstatements in connection with the sales of securities. Each time one of his parents inquired about the annuity, Hunsinger falsely affirmed that he had purchased it, that the payments his parents were receiving were attributable to the annuity, and that the proceeds from securities sales were being transferred into it. At a certain point, the balances in his parents' securities accounts were at or near zero; and a few months later, the annuity payments had stopped. When Hunsinger's siblings confronted him, he admitted that he had not purchased an annuity for his parents. FINRA also found that Hunsinger failed to respond to FINRA requests that he provide information and documents related to its investigation. ([FINRA Case #2011030045101](#))

**Daniel Kim (CRD #5372539, Registered Representative, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Kim's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kim consented to the described sanctions and to the entry of findings that he engaged in an outside business activity without providing prior written notice of such activity to his firm. The findings stated that Kim was a member of the Board of Managers of a private company in which he had made an investment. Kim entered into an Advisor Agreement, which stated that he was to provide various services to the company and received compensation in the form of company stock. When Kim completed his firm's annual compliance certification, he did not disclose his involvement with the company in response to a question that asked Kim to confirm and update disclosures regarding private investments and outside interests. Kim did not inform his firm of his relationship with the company.

The suspension was in effect from November 18, 2013, through December 17, 2013. ([FINRA Case #2011030219601](#))

**Marcus Goetz Laun (CRD #2633242, Registered Representative, Mill Neck, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for seven months. The fine must be paid either immediately upon Laun's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Laun consented to the described sanctions and to the entry of findings that his firm required employees to disclose all outside business activities at the time they joined the firm, and to seek and obtain written approval to engage in any outside business activities while employed with the firm. The findings stated that Laun became the president of a company and continued to serve as president through the termination of his employment with his firm. Laun engaged in an outside business activity without providing any written notice to the firm regarding his appointment as president of the company. The findings also stated that Laun appeared to provide testimony to FINRA pursuant to an on-the-record interview in connection with its investigation of his alleged undisclosed outside business activities. Part-way through his interview, Laun ceased providing answers to FINRA's questions and unilaterally terminated the interview without FINRA's consent. A few days later, FINRA staff requested that Laun appear to provide testimony and complete his interview. Laun advised FINRA that he would be unable to appear. Laun failed to appear for testimony until after FINRA had initiated suspension proceedings against him, pursuant to FINRA Rule 9552.

The suspension is in effect from November 18, 2013, through June 17, 2014. ([FINRA Case #2011026741702](#))

**Clifford Edwin Lofgren (CRD #311686, Registered Principal, Manchester, New Hampshire)** 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, Lofgren consented to the described sanctions and to the entry of findings that he borrowed a total of \$30,000 from his customer. The findings stated that the member firm's procedures specifically prohibited its registered representatives from borrowing money from customers, and Lofgren did not inform the firm of the loans or seek the firm's permission to borrow money from a customer. Lofgren made regular interest payments to the customer but did not repay the loan. Lofgren's firm repaid the customer. Lofgren has executed an agreement to repay his firm, with interest, the money it paid to the customer.

The suspension is in effect from December 16, 2013, through January 15, 2014. ([FINRA Case #2012034020001](#))

**Gregg Charles Lorenzo (CRD #4525167, Registered Principal, Staten Island, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lorenzo willfully failed to timely amend his Form U4 to disclose an SEC investigation. The findings stated that Lorenzo refused to appear for an on-the-record interview. ([FINRA Case #2012032112401](#))

**Denise Ellen Roy Malin (CRD #3145027, Registered Principal, Grottoes, Virginia)** 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, Malin consented to the described sanction and to the entry of findings that a customer opened variable annuity accounts and a mutual fund brokerage account with her and her member firm. The findings stated that after opening the accounts, the customer invested \$16,600 in the mutual fund account and \$65,000 in the variable annuities. At the time the accounts were opened, Malin had a power of attorney to manage the customer's estate and affairs for the customer's benefit. The findings also stated that Malin began withdrawing funds from the customer's brokerage account without the customer's authorization. Malin requested withdrawals totaling approximately \$16,660 by logging into the account through the firm's electronic account system. Malin only gave the customer \$5,000 and converted the remaining \$11,660 for her personal use and benefit. The findings also included that Malin began signing the customer's name on annuity surrender request forms and the checks issued pursuant to the forms that she received once the surrender forms were processed. Malin cashed the checks or deposited them into an account over which she had control and used the funds for her own benefit. In total, Malin converted approximately \$81,633 from the customer's mutual fund brokerage account and the variable annuities. ([FINRA Case #2012034386401](#))

**Ralph Joseph Mangini (CRD #1597490, Registered Representative, Yonkers, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Mangini's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mangini consented to the described sanctions and to the entry of findings that an imposter posing as a customer of Mangini's member firm sent Mangini a series of emails requesting the transfer of \$9,000 from her firm account to a third-party bank account. The findings stated that the imposter said that she was in Ireland visiting a friend who had a death in the family and she needed to provide money to a different friend in the United States. The imposter did not provide additional details concerning the purpose of the wire-transfer request. The findings also stated that Mangini informed the imposter that the customer's account did not maintain sufficient cash to fund the \$9,000 wire transfer and that an investment in the account would have to be liquidated in order to pay for the wire. The imposter responded with wire instructions for the transfer of funds, however did not provide specific authorization or any direction to sell any investments from the



customer's account. Mangini sold shares of a mutual fund in the customer's account for \$10,000 and falsely recorded on the order ticket that the sale was an unsolicited order. The findings also included that the customer never authorized Mangini to exercise any trading in her brokerage account. After selling the mutual fund shares in the customer's account, Mangini completed a wire request cash distribution form in order to transfer \$9,000 from the customer's account to the third-party's bank account. Mangini completed the cash distribution form with the wire information he received from the imposter, including the routing and account numbers for the bank account. The imposter also stated that the name of the account at the bank was the customer's middle name and last name.

FINRA found that as an accommodation, Mangini forged the customer's signature on the cash distribution form and faxed it to the firm's wire transfer department to process the wire transfer. However, the customer had not authorized Mangini to sign her name on any document. The \$9,000 wire transfer was returned to the customer's account because the name on the cash distribution form did not match the name of the account at the bank. The following day, the firm attempted to send the wire transfer again; however, it was returned to the customer's account because of the name mismatch. FINRA also found that Mangini sent an email to the customer stating that the \$9,000 wire transfer to the third-party's bank account was not completed because her name did not match the name on the bank account. Later that day, the customer informed Mangini that she never made any wire-transfer request and that an imposter had hacked into her account. In addition, FINRA determined that the firm cancelled the sale of the shares of the mutual fund and returned the shares to the customer's account without any fees. The \$9,000 wire transfer was already returned to the customer's account and the firm reimbursed the customer's accounts the wire fees her account incurred. As a result, the customer's account did not suffer any losses.

Moreover, FINRA found that Mangini caused his firm to maintain false books and records concerning the mismarked unauthorized transaction order ticket and the wire request cash distribution form. The firm's policies and procedures prohibited its employees from accepting orders or transaction requests without verbally confirming the transaction instructions with the customer, prohibited its employees from engaging in unauthorized transactions and exercising discretion in any customer's account without the customer's written authorization and the firm's approval, and prohibited its employees from mismarking order tickets and forging a customer's signature on any document, regardless of intent, authorization or the nature of the document.

The suspension is in effect from November 18, 2013, through January 17, 2014. ([FINRA Case #2012031886601](#))

**Jose Jesus Martinez Jr. (CRD #5590432, Registered Representative, Glendale, Arizona)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that when an elderly customer who used Martinez's bank branch office to

do his banking left his debt card on Martinez's desk, Martinez took it. The findings stated that Martinez used the card to wrongfully convert the customer's funds by making cash withdrawals, paying personal bills and other expenses, causing unauthorized withdrawals of at least \$1,500. The bank investigation concluded that Martinez actually converted more than \$7,000 from several of the customer's accounts and also withdrew funds from the customer's Individual Retirement Account (IRA). The findings also stated that Martinez failed to respond in any manner to FINRA requests that he provide information in the course of an investigation into the circumstances of his termination from his member firm regarding the allegation that he converted a bank customer's funds. ([FINRA Case #2012034384101](#))

**Joseph Quinlan McGowan (CRD #2233691, Registered Principal, New Preston, Connecticut)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the allegations, McGowan consented to the described sanctions and to the entry of findings that, acting outside the course and scope of his employment with his member firms, he participated in private securities transactions from which he received selling compensation, without providing prior written or oral notice to his firms of his proposed roles in, or the selling compensation that he might receive from, the transactions.

The suspension is in effect from January 6, 2014, through September 5, 2014. ([FINRA Case #2010022586201](#))

**Arnold Montano Jr. (CRD #2391916, Registered Representative, Davis, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$6,500, which includes disgorgement of \$1,500 in financial benefits received, and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Montano's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Montano consented to the described sanctions and to the entry of findings that he purchased a total of \$10,000 of stock in a company and made these purchases without providing prior written notice to, or obtaining prior written approval from, the firm. Montano solicited a customer of the firm to purchase \$10,000 of the company's stock, and solicited an investor, unrelated to the firm, to purchase \$5,000 of the company's stock. For these transactions, Montano received compensation in the form of company stock worth approximately \$1,500. Montano solicited these purchases by the customer and the investor without providing prior written notice to, or obtaining prior written approval from, the firm. The findings also stated that Montano completed an annual firm compliance questionnaire on which he denied having participated in any private securities transactions while associated with the firm. Montano's answer was inaccurate in light of his purchase of the company's stock and his solicitations to the customer and the investor to purchase the company's stock.

The suspension was in effect from December 2, 2013, through January 1, 2014. ([FINRA Case #2012033020601](#))

**Joselyn Antoinette Murray (CRD #4807565, Registered Representative, Cleveland, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for 30 days. In light of Murray's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Murray consented to the described sanction and to the entry of findings that she accepted \$5,666 in monetary gifts from a customer of her member firm, which created the appearance of impropriety and a potential conflict of interest. The findings stated that Murray first met the customer through her mother, prior to him opening an account at the firm. The customer directly paid several of Murray's bills, which created a distinct appearance of a conflict of interest by raising concerns that Murray used her position of trust as the customer's broker to take money from him and that the account was being operated in a manner that would benefit Murray rather than the long-term interests of the customer or the firm. The findings also stated that the firm had in place a policy that prohibited employees from accepting gifts that would create an appearance of impropriety. The firm's policies and procedures prohibited employees from receiving gifts in excess of \$100 per person, per year, and required employees to track and report all gifts. However, the firm allowed employees to receive gifts from customers with whom they have a personal relationship wholly independent of their business relationship, so long as the gifts were given in connection with that relationship and in connection with commonly recognized life events or occasions for which gifts are customarily given to friends and family. Gifts meeting these criteria may exceed the \$100 limit and need not be disclosed under the firm's policy. The findings also included that notwithstanding this exception to the gifts policy, the firm's policies and procedures prohibited employees from accepting cash and cash equivalents, such as checks.

The suspension was in effect from December 2, 2013, through December 31, 2013. ([FINRA Case #2013036778101](#))

**Thomas Cameron Oakes (CRD #1354152, Registered Supervisor, Montague, Michigan)** 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 15 business days. Without admitting or denying the findings, Oakes consented to the described sanctions and to the entry of findings that he engaged in unsuitable short-term trading of low-priced and/or speculative securities in customers' accounts, causing substantial losses in their accounts. The findings stated that the account activity was not suitable for these customers because the activity did not meet each customer's stated objective of growth, as identified on their new account forms, notwithstanding Oakes' member firm's definition of growth. The findings also stated that from the time when the customers opened their respective accounts through when they closed their accounts, each customer lost substantial value in the firm securities accounts due, in large part, to the short-term trading of low-priced

securities, with losses ranging from 70 percent to 84 percent of account value. At the same time, the Standard & Poor's (S&P) 500 index had increased in value. For some of the customers, their accounts had excessive concentrations of low-priced securities at the time that the accounts were closed.

The suspension was in effect from December 16, 2013, through January 7, 2014. ([FINRA Case #2011025857802](#))

**Thomas Paul O'Connor (CRD #5699014, Registered Representative, Boston, Massachusetts)** 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 12 months. The fine must be paid either immediately upon O'Connor's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, O'Connor consented to the described sanctions and to the entry of findings that he forged a customer's signature on documents related to the purchase of insurance policies, a fixed life policy and a disability insurance policy, without the customer's knowledge or consent. The findings stated that the customer had not agreed to purchase the insurance policies and that O'Connor submitted the policies to an insurance company for processing.

The suspension is in effect from December 2, 2013, through December 1, 2014. ([FINRA Case #2012034010701](#))

**Jonathan Samuel Perry (CRD #5336719, Registered Representative, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Perry consented to the described sanctions and to the entry of findings that while registered with his member firm and in anticipation of his move to a new firm, he moved documents related to firm customers he serviced from his firm office to his home. The findings stated that the documents contained non-public personal information, as that term is defined under Regulation S-P of the Securities Exchange Act of 1934, and Perry moved them without the authorization and in contravention of his firm's policies. Among other things, the non-public personal information included customers' asset and income information, health information, addresses, birthdates and employment information. By removing the customers' files from his firm's control and possession, Perry placed the customers' non-public personal information at risk.

The suspension was in effect from December 2, 2013, through December 6, 2013. ([FINRA Case #2011026450101](#))

**Jeffrey B. Pierce aka Jeffrey Pierce Walles (CRD #3190666, Registered Representative, Waltham, Massachusetts)** was fined \$25,000 and suspended from association with any FINRA member in any capacity for six months. The NAC imposed the sanctions following appeal of an OHO decision. The sanctions were based on findings that Pierce concealed annuity switches in customer accounts from his member firm and falsified firm records regarding the same annuity switches. The NAC found that Pierce failed to follow firm procedures and concealed the annuity switches from his firm, in part by falsifying firm records, and in part by arranging for the switches to occur as separate transactions. Pierce structured each customer's surrender in such a way that the proceeds from the surrender went to a bank for deposit into the customer's bank account rather than to the customer's brokerage account at the firm. The NAC also found that Pierce made misrepresentations on firm records regarding the sources of funds that the customers used to purchase annuities. Pierce failed on all the forms to identify a surrendered annuity as the source of funds, and uniformly provided his firm with inaccurate and misleading information about these customers. Instead, Pierce fabricated false sources. Pierce similarly misrepresented on accompanying annuity applications for each of the customers that the purchased annuity was not a replacement for another annuity, further concealing the true nature of the transactions. The findings also included that Pierce intentionally misrepresented facts to the firm during its subsequent investigation of the circumstances surrounding the annuity switches in an ongoing effort to conceal his conduct from his firm. The allegations that Pierce omitted from his discussions with customers the option of a 1035 exchange and that his recommendations were unsuitable were dismissed on the dearth of evidence.

The suspension is in effect from December 2, 2013, through May 30, 2014. ([FINRA Case #2007010902501](#))

**Carrie Lynn Raney (CRD #1100228, Registered Principal, Santa Ysabel, California)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for 10 business days. The fine must be paid either immediately upon Raney's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Raney consented to the described sanctions and to the entry of findings that she failed to supervise a firm registered representative's private securities transactions that the firm had approved as if they were transactions of the firm. The findings stated that Raney was her firm's CEO, CCO, sole owner, and person designated with the authority to determine whether a registered representative at the firm could engage in private securities transactions, and she was the designated principal responsible for the supervision of registered representatives engaged in private securities transactions. The findings also stated that a registered representative participated in private securities transactions by referring investors, some of whom were customers of the firm, to hedge funds. These investors made investments in the funds totaling \$964,885. At the time that

the representative registered with the firm, the representative disclosed and obtained approval to refer investors to these funds and to receive referral fees. The representative generated \$167,587 in referral fees and the firm retained \$8,379. The findings also included that although Raney monitored the receipt of the fees, she did not supervise the investors' securities transactions in which the representative participated as if they were securities transactions of the firm, nor did she record the securities transactions on the books and records of the firm.

The suspension was in effect from December 2, 2013, through December 13, 2013. ([FINRA Case #2010023080901](#))

**James Roberts (CRD #2884110, Registered Representative, Omaha, Nebraska)** 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 two years. The fine must be paid either immediately upon Roberts' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Roberts consented to the described sanctions and to the entry of findings that he borrowed \$1,200 from an elderly customer contrary to his firm's procedures that did not allow its registered representatives to borrow money from customers, and the firm did not pre-approve the customer's loan to Roberts. The findings stated that Roberts entered into compromises with creditors and failed to timely disclose the compromises on his Form U4. The findings also stated that during an on-the-record interview, Roberts provided inaccurate testimony regarding his receipt of payments from a third party.

The suspension is in effect from December 2, 2013, through December 1, 2015. ([FINRA Case #2011029060701](#))

**Shawn Paul Sapp (CRD #4913087, Registered Representative, North Palm Beach, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sapp consented to the described sanction and to the entry of findings that a member firm customer handed Sapp, the customer's financial adviser, a check for \$10,000 to be deposited into the customer's brokerage account. The findings stated that Sapp caused the check to be deposited into his personal account at the firm, and over the next couple of weeks, withdrew the \$10,000, using the funds for personal purposes. Sapp repaid the customer by writing the customer a check for \$10,000. The findings also stated that Sapp failed to provide FINRA-requested sworn testimony concerning the misuse of customer funds, undisclosed outside business activities, and his failure to timely amend his Form U4 to reflect that he was charged with a felony. Sapp, through his counsel, advised FINRA that he would not appear for testimony in connection with this matter. ([FINRA Case #2013035518201](#))

**Jeffery Bruce Scharingson (CRD #2313475, Registered Representative, Clive, Iowa)** 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 year. The fine must be paid either immediately upon Scharingson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Scharingson consented to the described sanctions and to the entry of findings that he failed to apply funds as directed by a customer and later settled that same customer's complaint away from his member firm. The findings stated that the customer endorsed a third-party check for \$16,306.78 and gave it to Scharingson to be used to open college savings plan accounts for her children. Scharingson placed the check in a desk drawer pending completion of certain paperwork. Five months later, the check issuer notified the customer that the check was aged and void, and then provided her with a replacement check. Once again, the customer endorsed the check and gave it to Scharingson. The findings also stated that Scharingson failed to ever use the funds to make the requested investment; rather, fearing that the check would be voided again, he deposited the check into a business account he controlled. The customer inquired about the investments; and at first, Scharingson claimed that they had been made, but shortly thereafter advised the customer of his failure to make the requested investments. Scharingson paid the customer \$17,306.78, which represented the original amount of the investment plus interest and other damages. The findings also included that Scharingson failed to give notice to his firm of the complaint or his settlement thereof.

The suspension is in effect from December 2, 2013, through December 1, 2014. ([FINRA Case #2012033287201](#))

**Rik Barton Schrammel (CRD #1358552, Registered Representative, San Francisco, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid either immediately upon Schrammel's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Schrammel consented to the described sanctions and to the entry of findings that he caused his member firm to maintain false books and records. The findings stated that Schrammel was informed by firm management that in order to effect certain additional transactions in a customer's trust account, Schrammel would need to have both co-trustees, the customer and a third party, update and re-execute certain account documents. In response, Schrammel submitted a firm Client Disclosure and Acknowledgement Form and a firm Trust and Estate Account Application for the trust account that purported to bear the signatures of both co-trustees, with the customer's signature on each form dated one date, and the other trustee's signature on each form dated a later date. The submission of these forms allowed for the resumption of activity in the trust account. The findings also stated that the the customer's signatures on both the

form and account application were false in that the customer had not signed them. The customer had died and therefore could not and did not sign and date the forms. Among other things, the third-party co-trustee was using separate accounts of the customer to engage in fraudulent activity. Schrammel, who had been previously advised by the third party co-trustee that the customer was out of the country, did not personally witness the customer's signature or personally obtain a copy of the customer's driver's license from the customer. These and other facts and circumstances should have alerted Schrammel to the risk that the customer's signature was not genuine.

The suspension was in effect from November 18, 2013, through January 1, 2014. ([FINRA Case #2010022907901](#))

**Gabriel Schulman (CRD #5107746, Registered Representative, Teaneck, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Schulman consented to the described sanctions and to the entry of findings that while registered with his member firm and in anticipation of his move to a new firm, he moved documents related to firm customers he serviced from his firm office to his home. The findings stated that the documents contained non-public personal information, as that term is defined under Regulation S-P of the Securities Exchange Act of 1934, and Schulman moved them without the authorization and in contravention of his firm's policies. Among other things, the non-public personal information included customers' asset and income information, health information, addresses, birthdates and employment information. By removing the customers' files from his firm's control and possession, Schulman placed the customers' non-public personal information at risk.

The suspension was in effect from December 2, 2013, through December 6, 2013. ([FINRA Case #2011026449801](#))

**William Anthony Schur (CRD #2687529, Registered Representative, Great Neck, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$25,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Schur's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Schur consented to the described sanctions and to the entry of findings that while associated with a member firm, and before opening and permitting trading in securities accounts with a second member firm and securities accounts with a third member firm, he failed to provide written notice to his firm of the outside brokerage accounts and failed to provide written notice to the other member firms of his association with his firm. The findings stated that Schur had either a financial interest or discretionary trading authority in each of the accounts. Some of the accounts were actively traded and two in the name



of a limited liability company (LLC) that Schur formed, traded hundreds of millions of dollars in securities each month. The findings also stated that on new account applications completed in connection with opening the brokerage accounts, Schur represented that he was not an associated person of a broker-dealer when, in fact, he was associated with his firm. The findings also included that while registered with his firm, Schur certified to the firm that he had not opened an account with another broker-dealer without his firm's written approval. Schur had opened all of the brokerage accounts without his firm's written approval. Several of the accounts were still open when Schur made that representation.

The suspension is in effect from December 2, 2013, through June 1, 2014. ([FINRA Case #2011028031101](#))

**Jeanne Ann Scolnick (CRD #1669354, Registered Representative, Coconut Creek, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$10,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Scolnick's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Scolnick consented to the described sanctions and to the entry of findings that she participated in a private securities transaction without providing prior written notice to her firm of the details of the transaction or her role in it. The findings stated that in the transaction, an acquaintance of Scolnick invested \$200,000 in an LLC that claimed to be constructing a container terminal. Scolnick participated in discussions between the investor and the owner of the LLC; and helped the investor secure legal counsel to review the terms of his investment in the LLC. Scolnick accepted a \$5,000 finder's fee in connection with the investor's investment. The findings also stated that Scolnick did not request or receive her firm's approval for her work in connection with the LLC and did not request or receive the firm's written approval to receive the finder's fee. The investor's investment was ultimately a total loss. Scolnick later paid the \$5,000 she earned as a finder's fee to the investor.

The suspension is in effect from December 2, 2013, through April 1, 2014. ([FINRA Case #2012034593301](#))

**Mark Adam Sessanta (CRD #3125386, Registered Representative, Bath, Pennsylvania)** 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 six months. The fine must be paid either immediately upon Sessanta's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sessanta consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his firm. The findings stated that Sessanta referred firm customers to LLCs and the customers subsequently purchased interests totaling approximately \$317,000 being offered by these

companies. Sessanta personally invested \$462,000 in the same LLCs. The findings also stated that Sessanta completed annual compliance questionnaires for his firm wherein he acknowledged that he understood that he could not invest his own funds in an LLC (among other private investments) and that he could not facilitate a customer's investment in any business venture if doing so would constitute a private securities transaction. The findings also included that Sessanta sold equity-indexed annuities (EIAs) outside the scope of his employment with his firm and without providing his firm with any notice of the business activity. Sessanta's undisclosed EIA sales totaled about \$1 million and he received approximately \$80,000 as compensation for the transactions. FINRA found that Sessanta completed annual compliance questionnaires for his firm wherein he acknowledged that he understood that he could not engage in any outside business activities without the prior written consent of the firm.

The suspension is in effect from December 16, 2013, through June 15, 2014. ([FINRA Case #2012031545001](#))

**Timothy William Stephens (CRD #1643736, Registered Representative, Spring Green, Wisconsin)** 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, Stephens consented to the described sanction and to the entry of findings that he engaged in outside business activities for compensation outside the scope of his business relationship with his member firm, without providing his firm with prior written notice of these activities. The findings stated that Stephens sold EIAs valued at \$8.2 million to members of the public, and approximately one-third of the individuals who purchased the EIAs were customers of Stephens' firm. The findings also stated that Stephens communicated with the sponsors of the EIAs through his personal email address, and not through the email address issued by the firm contrary to the firm's written procedures that a representative must disclose any outside business activity and obtain the firm's permission prior to engaging in such activity. The firm required that all non-proprietary products, including EIAs, be submitted to the firm for its prior review and approval. The only exception was when a representative sold EIAs listed on the firm's approved product list and the representative had been approved for this outside business activity. None of the EIAs Stephens sold were listed on the firm's approved product list. The findings also included that statements Stephens made to his firm about his outside business activities aggravated Stephens' misconduct. When Stephens signed six annual compliance questionnaire forms, he acknowledged that he understood that all forms of outside business activities must be disclosed to the firm and he must receive the firm's written approval prior to engaging in any outside business activity. FINRA found that during firm audits of Stephens' office, he was asked questions and in response to the questions, Stephens affirmatively stated that he was aware of the firm's procedures related to selling EIA products, that he was aware of the firm's approved product list of EIAs, and that he understood that all business must be submitted through the firm. Stephens specifically

denied that he was selling products not on the firm's approved product list. ([FINRA Case #2013036091101](#))

**Joseph Albert Tahmoosh (CRD #2184656, Registered Representative, Budd Lake, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Tahmoosh's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Tahmoosh consented to the described sanctions and to the entry of findings that he willfully allowed his Form U4 to contain a false response to the financial disclosure question by not disclosing tax liens filed against him. The findings stated that Tahmoosh also willfully failed to amend his Form U4 to disclose a civil judgment filed against him, despite his obligation to do so within 30 days of him becoming aware of it.

The suspension is in effect from December 2, 2013, through March 1, 2014. ([FINRA Case #2013036013601](#))

**Kevin Grant Tingley (CRD #2795070, Registered Principal, Charleston, South Carolina)** 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 principal capacity for 30 business days. Without admitting or denying the findings, Tingley consented to the described sanctions and to the entry of findings that he was the CEO and CCO of his member firm, responsible for the supervision of the firm's registered representatives and maintaining and updating the firm's WSPs. The findings stated that Tingley allowed a representative at his firm to accept a short sale order from an institutional customer who was new to the firm and execute the order before the customer had set up an account with the firm. As the account had not yet been formally established, the account did not yet have an assigned customer-specific firm identifying number. The order was to sell approximately \$300 million of a security. The findings also stated that Tingley failed to ensure that the firm's WSPs were enforced in three different respects. Tingley failed to enforce the procedures when he allowed a representative at his firm to accept an order for execution prior to the proper opening of the account, failed to enforce the firm's WSPs concerning the preparation of order memoranda pursuant to SEC Rule 17a-3 and FINRA Rule 4511, and failed to ensure the firm's WSPs were enforced concerning Regulation SHO.

The suspension is in effect from December 16, 2013, through January 29, 2014. ([FINRA Case #2012034751801](#))

**Kenneth David Warnick (CRD #1415675, Registered Principal, Farmington Hills, Michigan)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$6,000, suspended from association with any FINRA member in any capacity for nine months, and suspended from association with any FINRA member in any principal capacity for

18 months. The suspensions are to run concurrently. Without admitting or denying the findings, Warnick consented to the described sanctions and to the entry of findings that he affixed the signature of a joint account owner to withdrawal requests without his permission and knowledge, and otherwise altered documents to effect the requests made by the other joint account owner. The findings stated that Warnick was responsible for the review and approval of customer withdrawal requests at his member firm. The firm required that joint account withdrawal and transfer requests be signed by both of the joint account owners. The findings also stated that Warnick was aware that falsifying or copying signatures was prohibited, yet he effected withdrawals requested by one of the joint account owners by transposing, or otherwise altering previous versions of the other joint account owner's signature onto the withdrawal requests. Funds in excess of \$520,000 were withdrawn or transferred from the joint account to one of the joint account owner's benefit over five years. The findings also included that Warnick did not contact either customer to confirm they had approved the transactions. One of the joint account owners was unaware of the withdrawals from the joint account and consequently was harmed by Warnick's actions.

The suspension in any capacity is in effect from December 2, 2013, through September 1, 2014. The suspension in any principal capacity is in effect from December 2, 2013, through June 1, 2015. ([FINRA Case #2011026309501](#))

**Thomas Stuart White III (CRD #4668682, Registered Representative, Chicago, Illinois)** 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 two months. Without admitting or denying the findings, White consented to the described sanctions and to the entry of findings that he recommended that a customer convert term life insurance policies into whole life policies. The findings stated that the customer signed in blank a term life insurance conversion form, the form used to convert a term life insurance policy into a whole life policy. White later realized that, because term life policies were in effect, the customer needed to sign term conversion forms. Instead of having the customer complete and sign all the forms and without the customer's permission or consent, White falsified documents by instructing his sales assistant to make copies of the term conversion form that the customer had signed in blank, complete all the forms, and submit the forms to the member firm's life insurance affiliate for processing. The findings also stated that as a result, the life insurance affiliate issued whole life insurance policies for the customer.

The suspension is in effect from December 2, 2013, through February 1, 2014. ([FINRA Case #2010025540201](#))

**Barry M. Wyman (CRD #6048304, Associated Person, Bronx, 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, Wyman consented to the described sanction and to the entry of findings that he misappropriated

\$8,340.49 from a member firm proprietary account. The findings stated that on multiple occasions, Wyman was instructed to credit a customer's account with amounts from the firm's proprietary account, which he did, but, on those occasions, he also credited his own account with those same amounts. Wyman was not authorized to transfer any of these funds to himself. The findings also stated that on other occasions, Wyman converted a total of \$876.02 of a customer's funds after he was instructed to transfer funds to the customer's account and failed to do so. Instead, Wyman credited his own account with those amounts. Wyman was not authorized to obtain any of these funds. After detecting Wyman's conduct, the firm provided the customer with the amounts that Wyman had failed to transfer to the customer's account. ([FINRA Case #2013036047601](#))

## Complaints Filed

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

**Jaime Andres Diaz (CRD #4298373, Registered Principal, New York, New York)** was named a respondent in a FINRA complaint alleging that he converted approximately \$850,000 from customers, one of whom was elderly and converted \$50,000 from a registered representative who worked at his member firm. The complaint alleges that Diaz told the customers that their funds would be used to invest in restaurants and told one customer that his funds would be invested in real estate developments. Diaz did not invest the funds as represented but converted the funds for his personal use, to pay expenses related to his branch office business and to pay earlier investors and as a result, willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The customers and the registered representative neither knew nor authorized Diaz to misappropriate their funds for his personal use. The complaint also alleges that Diaz participated in private securities transactions involving his sale of promissory notes, without disclosing his participation to his firm. Diaz's firm was unaware that he was engaging in private securities transactions with customers of the firm or that he was receiving compensation in connection with the transactions. The complaint further alleges that on Diaz's outside business disclosure form in CRD, he falsely certified that it was accurate although he did not disclose some of his outside business activities and falsely claimed another outside business activity was a non-investment business activity. In addition, the complaint alleges that Diaz failed to fully and timely respond to FINRA requests for information and documents, including personal bank account statements, preventing FINRA from pursuing material areas of its investigation into Diaz's conduct. ([FINRA Case #2011029545902](#))

**Gregory Evan Goldstein (CRD #2412387, Registered Principal, Stevenson Ranch, California)** was named a respondent in a FINRA complaint alleging that he executed unauthorized trades in an entity's account and the account of one of the entity's owners. The complaint alleges that the individual and her husband were unaware of the unauthorized trades until they received notification from the IRS indicating they owed back taxes on capital gains incurred one year. These customers complained to Goldstein's member firm as soon as they learned about the unauthorized trading. The complaint also alleges that Goldstein, who was an entity's majority owner, sole voting shareholder, chairman and president, performed consulting work for the entity and clients paid fees to the entity for Goldstein's services. Goldstein did not disclose this involvement to his firm as an outside business activity until a later date. The complaint further alleges that Goldstein maintained a regular account and a Roth IRA at another brokerage firm and failed to disclose the accounts to his firm. When Goldstein opened his personal securities accounts at another firm, he provided false information to hide his employment in the brokerage industry. The new account forms he signed indicated "no" in response to a question regarding affiliation with any securities firms or other financial institutions, and he listed "self-employed owner of a different business" under employer information. In addition, the complaint alleges that Goldstein falsely denied having any outside securities accounts or outside business activities in annual certifications to his firm, although he acknowledged in writing he was required to disclose any such accounts. Goldstein falsely told a FINRA examiner during an on-site examination that he did not have any outside business activities or securities accounts and sent an email to the examiner affirming these statements. ([FINRA Case #2011030210103](#))

**Bernard Gregory McGee (CRD #1203327, Registered Principal, Cazenovia, New York)** was named a respondent in a FINRA complaint alleging that he recommended that his customer surrender variable annuities, valued at approximately \$494,000, which represented approximately half her net worth, and purchase a charitable gift annuity (CGA) from an entity for which she incurred approximately \$36,500 in surrender charges. The complaint alleges that the remainder of the proceeds was invested with the entity and McGee was paid more than \$59,000 in fees for the customer's CGA investment. McGee made material misrepresentations and omissions to induce the customer to surrender her variable annuities and purchase the CGA, willfully violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and FINRA Rule 2020. McGee falsely told her that she was facing a large tax liability and that the CGA would offset that liability. McGee failed to disclose that the entity would pay him a fee of approximately 13 percent for her purchase of the CGA. McGee did not have any reasonable basis for his recommendation because he failed to conduct sufficient due diligence of the entity and its CGA product. McGee's recommendation was not suitable in light of the customer's financial condition, investment objectives and the large surrender fees she incurred. The complaint also alleges that McGee did not provide prior written notice to his member firm regarding his outside business activity with the entity. The complaint further alleges that McGee failed to timely

disclose his new address on his Form U4 and in a continuing effort to hide his relationship with the entity from his firm, he misrepresented the office address on a firm compliance questionnaire, thereby willfully violating Article V, Section 2(c) of the FINRA By-Laws and FINRA Rule 1122. In addition, the complaint alleges that McGee provided false information to his firm when he represented on annual compliance questionnaires that he had disclosed all outside business-related email addresses and that he had not been involved in any offers or sales of any security or investment, whether or not registered with the SEC, that were not processed through his firm, without written firm permission. McGee's representations were false and he knew they were false when he made them. ([FINRA Case #2012034389202](#))

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**Firm Expelled for Failure to Pay Fines and/  
or Costs Pursuant to FINRA Rule 8320**

**Corby Capital Markets, Inc. (CRD #7165)**  
Boston, Massachusetts  
(November 6, 2013)  
FINRA Case #2010020868901

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

**Allied Beacon Partners, Inc. (CRD #46227)**  
Richmond, Virginia  
(November 4, 2013)

**Sicor Securities Inc (CRD #16195)**  
Dayton, Ohio  
(November 18, 2013)

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

**Mediterranean Securities Group, LLC  
(CRD #153755)**  
Coconut Creek, Florida  
(November 11, 2013)  
FINRA Cases #20130389217/EQS130002

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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.)

**Eric Andrew Bohl (CRD #6112815)**  
Lake Forest, Illinois  
(November 5, 2013)  
FINRA Case #2013035584701

**Betty Cerenord (CRD #5889984)**  
Miami, Florida  
(November 4, 2013)  
FINRA Case #2013036593301

**Scott Edward Cox (CRD #5788749)**  
Chambersburg, Pennsylvania  
(November 22, 2013)  
FINRA Case #2013035798001

**Cynthia Ann Eisenhower (CRD #2600759)**  
San Rafael, California  
(November 25, 2013)  
FINRA Case #2013035428701

**Dan Parker Hicks (CRD #5048496)**  
Plymouth, Massachusetts  
(November 5, 2013)  
FINRA Case #2013036041701

**Steven Christopher Howard  
(CRD #4305553)**  
Las Cruces, New Mexico  
(November 18, 2013)  
FINRA Case #2013037324001

**Kathleen A. Mango (CRD #5638182)**  
Smithtown, New York  
(November 18, 2013)  
FINRA Case #2013037424301

**David Harrison McCartney (CRD #4168518)**  
Tucson, Arizona  
(November 5, 2013)  
FINRA Case #2012031158202

**Robert William McKinnon (CRD #1664334)**  
Amherst, New York  
(November 4, 2013)  
FINRA Case #2013036984401

**Todd Alan Miller (CRD #2450006)**  
Ankeny, Iowa  
(November 22, 2013)  
FINRA Case #2012034066401



**Jill Marie Sherwood Mirabito (CRD #1205368)**  
 Apalachin, New York  
 (November 12, 2013)  
 FINRA Case #2013037091901

**Todd Matthew Plate (CRD #5249313)**  
 San Diego, California  
 (November 12, 2013)  
 FINRA Case #2013036854001

**Samuel Riojas (CRD #6040836)**  
 Moore, Oklahoma  
 (November 18, 2013)  
 FINRA Case #2013037070401

**Aaron Michael Sharp (CRD #5448778)**  
 Savannah, Georgia  
 (November 15, 2013)  
 FINRA Case #2012033723901

**Steele Vincent Stephens (CRD #1081772)**  
 Little Rock, Arkansas  
 (November 18, 2013)  
 FINRA Case #2013037062301

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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.)

**Alex Lee Bernal (CRD #5266422)**  
 Santa Barbara, California  
 (January 2, 2013 – November 14, 2013)  
 FINRA Case #2007009433401

**Guy William Ziriak (CRD #3173806)**  
 Amherst, New Hampshire  
 (November 20, 2013)  
 FINRA Case #2012031596301

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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.)

**Stephanie Danielle Bruno (CRD #5737616)**  
 Carlsbad, California  
 (November 14, 2013)  
 FINRA Cases  
 #2012030565002/20130366960

**Thomas Michael Consigli (CRD #1380545)**  
 Niagara Falls, New York  
 (November 21, 2013)  
 FINRA Case #2013038351401

**Glen Allan Galemno (CRD #2399152)**  
 Cincinnati, Ohio  
 (November 29, 2013)  
 FINRA Case #2013037799301

**Rebeca Gonzalez (CRD #4258883)**  
 Boca Raton, Florida  
 (November 12, 2013)  
 FINRA Cases  
 #2012035219901/20130384211

**Hector Alex Hernandez (CRD #6171250)**  
 Miami, Florida  
 (November 25, 2013)  
 FINRA Case #2013037606301

**Brendon John Lyden (CRD #4913026)**  
 Long Beach, New York  
 (November 4, 2013)  
 FINRA Case #2012032595301

**Ricky Douglas Mullins (CRD #4808792)**  
Westlake, Texas  
(November 14, 2013)  
FINRA Case #2013038647201

**Gary Woodruff Peterson (CRD #601746)**  
Rockford, Illinois  
(November 12, 2013)  
FINRA Case #2012033459401

**Terry Lee Pickering (CRD #2006931)**  
Cooper City, Florida  
(November 12, 2013)  
FINRA Case #2013037512601

**Anthony Gene Recck (CRD #2262658)**  
Berlin, Connecticut  
(November 8, 2013)  
FINRA Case #2013036285301

**Collin Channing Seigle (CRD #5623007)**  
Ann Arbor, Michigan  
(November 18, 2013)  
FINRA Case #2013037985501

**Ronald William Smith (CRD #849053)**  
Chicago, Illinois  
(November 18, 2013)  
FINRA Case #2013035705601

**Justin John Zegalia (CRD #4133578)**  
McDonough, Georgia  
(November 18, 2013)  
FINRA Case #2012033369801

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**Individual 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.)

**Gary Aquino Ladrado (CRD #3129982)**  
San Diego, California  
(July 10, 2013 – November 12, 2013)  
FINRA Arbitration Case #12-03457

## **FINRA Fines TD Ameritrade Clearing and SG Americas Securities a Total of \$1.8 Million for Required Options Positions Reporting and Supervisory Violations**

The Financial Industry Regulatory Authority (FINRA) has fined TD Ameritrade Clearing, Inc. \$1,150,000 and SG Americas Securities, Inc. \$675,000 for failing to report or accurately report certain large options positions and for related supervisory deficiencies.

Thomas Gira, Executive Vice President, FINRA Market Regulation, said, “It is essential that regulators receive accurate, timely and complete information about large options positions, particularly those positions that involve accounts trading in concert, because this information is necessary to conduct market surveillance and to protect the integrity of the marketplace.”

FINRA found that from May 2007 to January 2010, TD Ameritrade failed to properly aggregate certain reportable positions as acting-in-concert, which impacted nearly 4,100 accounts and resulted in the firm failing to report approximately 1.4 million positions. In addition, TD Ameritrade failed to establish and maintain reasonable supervisory procedures and supervisory systems to ensure compliance with rules applicable to the accurate reporting of options positions.

In a separate case, FINRA found that from December 2007 to January 2013, SG Americas failed to report over-the-counter (OTC) options positions in approximately 500,000 instances; failed to report the counter-party for OTC options positions or incorrectly reported its customers’ OTC options positions in more than 600,000 instances; and failed to report or misreported OTC index options positions in more than 900,000 instances. Additionally, SG Americas failed to establish and maintain reasonable supervisory procedures and supervisory systems to ensure compliance with rules applicable to the accurate reporting of options positions.

In concluding these settlements, [TD Ameritrade](#) and [SG Americas](#) neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.