

Disciplinary and Other FINRA Actions

Firm Expelled, Individual Sanctioned

Dakota Securities International, Inc. ([CRD® #132700](#), Miami, Florida) and Bruce Martin Zipper ([CRD #1019731](#), Miami, Florida)

December 21, 2020 – The Securities and Exchange Commission (SEC) issued a decision in which it affirmed, in part, the findings of violations and remanded the proceeding back to the National Adjudicatory Council (NAC) for redetermination of the sanctions. The SEC affirmed FINRA’s finding that Zipper associated with the firm while statutorily disqualified and suspended in all capacities, and that the firm allowed him to do so. The SEC, however, set aside FINRA’s finding that Zipper engaged, and the firm allowed him to engage, in activities requiring registration while he was suspended. The SEC held that a person who is suspended from associating with a FINRA member, but who is not ordered to requalify by examination, does not violate NASD Rule 1031 by engaging in conduct requiring registration while suspended. The SEC also affirmed FINRA’s finding that Zipper and the firm maintained inaccurate books and records by misidentifying the representative of record on hundreds of transactions, and that the firm willfully violated Section 17(a) and Rule 17a-3 of the Securities Exchange Act of 1934 by maintaining inaccurate books and records. In addition, the SEC affirmed FINRA’s finding that the firm failed to maintain and enforce an adequate supervisory system. FINRA had barred Zipper and expelled Dakota for these violations. The SEC remanded the proceeding back to the NAC for redetermination of the sanctions given its finding that Zipper and Dakota did not violate NASD Rule 1031. The SEC also asked the NAC to clarify why the books and records violations warranted a bar for Zipper and expulsion for the firm.

The expulsion and bar are in effect pending review. ([FINRA Case #2016047565702](#))

Firms Fined, Individuals Sanctioned

PHX Financial, Inc. ([CRD #144403](#), New York, New York) and Robert Charles Delaplain ([CRD #1017107](#), Brick, New Jersey)

December 18, 2020 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was censured, fined \$50,000, ordered to pay \$356,711, plus interest, in restitution to customers and required to review and revise, as necessary, its supervisory system and Written Supervisory Procedures (WSPs) regarding supervision of excessive trading and churning. A lower fine was imposed after considering, among other things, the firm’s revenue and financial resources, as well as its agreement to pay full restitution to affected customers. Delaplain is fined \$5,000, suspended from association with any FINRA member firm in any principal capacity for six months and required

Reported for February 2021

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).

to requalify by examination as a principal before acting in any principal capacity with any FINRA member. Without admitting or denying the findings, the firm and Delaplain consented to the sanctions and to the entry of findings that they failed to establish and maintain a system, including written supervisory policies and procedures, reasonably designed to achieve compliance with the securities laws and regulations related to unsuitable excessive trading in customer accounts. The findings stated that the firm's written procedures did not identify any steps a supervisor should take to identify or prevent excessive trading or that a supervisor should take if they identified excessive trading, including what remedial steps should be taken and/or and how those steps should be documented. After a FINRA examination, the firm began using automated exception reports for excessive trading provided by its clearing firm. However, when the firm changed clearing firms, it no longer used those exception reports and did not obtain any other exception reports for excessive trading. Instead, the firm returned to performing manual reviews of a daily trade blotter that did not reflect patterns of trading, cost-to-equity ratios and turnover ratios. In addition, the firm failed to reasonably enforce its WSPs related to options. The firm's registered options & securities futures principal was a producing broker who engaged in extensive options trading for a customer from whom he earned most of his commissions. The firm did not take any steps to ensure that a different options principal was reviewing options-related alerts related to that customer, or any steps to ensure that the principal performed the functions delegated to him. No one at the firm asked the principal to document his reviews of options related exception reports and it did not take other steps to monitor whether he was conducting such reviews or addressing any issues raised in exception reports. The findings also stated that the firm, through Delaplain, failed to reasonably supervise registered representatives, who engaged in unsuitable excessive trading and unsuitable options trading in customer accounts, resulting in approximately \$550,000 in customer losses and gross commissions of over \$350,000. Delaplain failed to identify or reasonably respond to red flags of violative trading in customer accounts. The principal effected solicited trades involving speculative options trading strategies that were inconsistent with the customer's balanced growth investment objective and moderate risk tolerance. Delaplain did not detect this trading, even though the customer's account came to his attention after it generated an alert relating to potential solicitation of a low-priced security. Similarly, Delaplain failed to identify red flags of excessive and unsuitable trading in a representative's customer's account, even though the account came to his attention when it generated exception report alerts reflecting a large purchase of a low-priced security. In both instances, no one at the firm, including Delaplain, calculated the cost-to-equity ratio in the customers' accounts, made inquiries of the principal or the representative, or contacted either of the customers. The findings also included that the firm failed to conduct and document reasonable investigations of private placement offerings and their issuers before recommending those securities to customers. The firm's records did not document investigative efforts it made, and its due-diligence records did not reflect an independent investigation or analysis of the offerings by the firm. The

firm also had no supervisory system or written procedures in place that were reasonably designed to ensure that it and its representatives did not engage in impermissible general solicitation of private placement offerings. FINRA found that the firm recommended private placement securities to customers without first inquiring about the investment objectives, risk tolerance, time horizon, or tax status of those customers. Although the firm typically obtained suitability information from its customers when they completed account opening paperwork, the customers at issue did not open brokerage accounts, but only purchased private placement offerings. Neither the firm nor its representatives obtained the information through other means before recommending the transactions.

The suspension is in effect from January 19, 2021, through July 18, 2021. ([FINRA Case #2016048921103](#))

WM. H. Murphy & Co., Inc. ([CRD #27274](#), Houston, Texas) and William Herbert Murphy ([CRD #343492](#), Houston, Texas)

December 21, 2020 – The SEC issued a decision that affirmed the NAC’s findings of violation and modified the sanctions imposed. The SEC further affirmed the findings that the firm and Murphy, as the firm’s president, failed to establish a supervisory system, including written procedures, reasonably designed to ensure compliance with the restrictions on unregistered offers and sales of securities. In affirming the NAC’s decision, the SEC ordered that the firm disgorge \$23,230.05 in commissions it received, plus prejudgment interest, from the unregistered sales. The SEC did not affirm the remaining sanctions that the NAC had imposed. The SEC found that the record demonstrated that the firm and Murphy relied in good faith on their counsel’s advice in their efforts to satisfy the exemption from registration requirements. Therefore, the SEC vacated the \$50,000 fine against the firm for the unregistered offering finding it to be excessive and remanded the case to FINRA to reassess sanctions for the supervisory violations against the firm and Murphy in accordance with its decision.

The sanctions are not in effect pending review. ([FINRA Case #2012030731802](#))

Firms Fined

Barclays Capital Inc. ([CRD #19714](#), New York, New York)

December 1, 2020 – An AWC was issued in which the firm was censured, fined \$650,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report to the Trade Reporting and Compliance Engine® (TRACE®) transactions in TRACE-eligible corporate bonds and agency debt securities. The findings stated that the majority of the late corporate transactions were caused by manual trade amendments or the trader or salesperson entering the trade late. After being contacted by FINRA, the firm addressed

these issues through technological and supervisory enhancements. The agency reporting issues were primarily caused by mapping, which is the coding that allows certain fields to be automatically populated, and technological issues. The firm addressed these issues after being contacted by FINRA. The findings also stated that the firm over-reported treasury transactions to TRACE. The over-reporting occurred in connection with treasury transactions executed between the firm and its affiliate. The firm often offset transactions with customers or other dealers with a transaction with the affiliate. If the firm was short, it would purchase an offsetting amount from the affiliate, or if it was long, it would sell that position to the affiliate. Due to a coding error, the firm erroneously reported both legs of the transaction to TRACE as if it were simultaneously buying and selling the same security at the same price which generated false alerts in FINRA's regulatory surveillance patterns. The firm fixed the issue after being contacted by FINRA. The findings also included that the firm reported the incorrect time of execution for corporate transactions to TRACE. In addition, the firm failed to show the correct time of execution on the memoranda of brokerage orders. The firm did not timely enter the transactions into the order management system, which incorrectly reported the transactions' execution time as the time the transaction was entered into the order management system. FINRA found that the firm's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with TRACE reporting rules. The firm primarily supervised TRACE reporting by requiring supervisors to review weekly and monthly reports of TRACE reporting, which included individual transactions that were reported late and statistics of late reporting. When a supervisor did escalate issues, it was sent to an operations team and there was no individual or individuals with supervisory authority tasked with reviewing for larger patterns of TRACE reporting issues that affected multiple traders or salespeople. The firm also had no supervisory system, including WSPs, in place that enabled it to identify its over-reporting of treasury transactions. The firm's procedures for the identification of over-reporting of transactions only applied to interdealer transactions, not transactions with the firm's affiliate and since the affiliate was not a broker-dealer, these transactions were not included in supervisory reviews. ([FINRA Case #2017054054501](#))

Great American Investors, Inc. ([CRD #28489](#), Overland Park, Kansas)

December 3, 2020 – An AWC was issued in which the firm was fined \$5,000. Without admitting or denying the findings, the firm consented to the sanction and to the entry of findings that it failed to conduct annual (on a calendar-year basis) independent testing of its anti-money laundering (AML) compliance program three times over a period of five years. The findings stated that for one year the firm's AML test was not independent because it was conducted by a firm registered representative who was supervised by and reported to the firm's AML compliance officer. For two years, the firm failed to conduct its annual independent AML test, but instead conducted it with the annual test the following year. ([FINRA Case #2020065149201](#))

Joseph Gunnar & Co. LLC ([CRD #24795](#), New York, New York)

December 4, 2020 – An AWC was issued in which the firm was censured, fined \$55,000 and required to certify that it has established and implemented policies, procedures and internal controls reasonably designed to achieve compliance with FINRA Rule 3310. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and implement an AML program reasonably designed to detect and cause the reporting of potentially suspicious activity relating to transactions involving low-priced securities. The findings stated that the firm's AML procedures failed to include reasonable procedures for the surveillance of potentially suspicious trading in low-priced securities, failed to address the process for assessing potential red flags associated with transactions in low-priced securities, and did not provide reasonable guidance about how to utilize the reports and tools the firm had at its disposal to monitor for potentially suspicious trading in low-priced securities. In addition, the surveillance reports and tools the firm actually used were not reasonably designed to detect and cause the reporting of potentially suspicious activity relating to transaction involving low-priced securities. In particular, the firm relied on its branch managers and compliance personnel to conduct a manual review of daily and five-day trade blotters for potentially suspicious activity. These blotters, however, did not include sufficient information to reasonably identify potentially suspicious activity, either on a transaction-by-transaction basis or over time. The firm also used automated exception reports to detect and cause the reporting of potentially suspicious activity; however, the reports were not reasonably designed and failed to flag purchases of low-priced securities that should have triggered one or more of the reports' parameters. Furthermore, the exception reports did not flag deposits or sales of low-priced securities, or other red flags for potentially suspicious activity. The findings also stated that although the firm received alerts from its clearing firm relating to potentially suspicious activity in low-priced securities, it did not reasonably respond to these red flags. The firm failed to create any written analyses or compile other records indicating that it investigated this potentially suspicious activity and did not take steps to determine why its own AML program had failed to detect the potentially suspicious transactions that the clearing firm flagged. The findings also included that the firm failed to establish a due diligence program including policies, procedures and controls reasonably designed to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving correspondent accounts or foreign financial institutions (FFIs). The firm failed to identify all of its FFI accounts because it had no system or processes in place to do so. Moreover, the firm had no system or procedure for performing risk-based reviews of FFIs and, as a result, did not review those customers' trading activity against any defined risk assessment or to determine if the trading was consistent with the customers' expected account activity. Although the firm's policies and procedures required it to conduct annual reviews of foreign accounts, it did not conduct any annual periodic reviews of correspondent accounts for FFIs. ([FINRA Case #2018056487101](#))

Mizuho Securities USA LLC ([CRD #19647](#), New York, New York)

December 7, 2020 – An AWC was issued in which the firm was censured, fined \$40,000 and required to certify to FINRA that it has revised its WSPs and implemented policies, procedures and internal controls to its supervisory system reasonably designed to address and remediate the issues related to the review of electronic communications of its senior management. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to have a reasonable supervisory system to review the electronic correspondence of its associated persons. The findings stated that the firm excluded the electronic communications of certain senior management from its supervisory review process. In excluding members of senior management from monitoring, the firm did not have a process in place for the review of communications of those senior management associated persons relating to its securities business. Nor did the firm establish a separate process by which it might effectively review sensitive information in the communications of senior management. ([FINRA Case #2018057735701](#))

Infinity Financial Services ([CRD #144302](#), Oakland, California)

December 8, 2020 – An AWC was issued in which the firm was censured, fined \$35,000 and required to file a continuing membership application (CMA) with FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to ensure that it conducted required background investigations into disciplinary histories, financial circumstances and qualifications of its new hires. The findings stated that the firm's WSPs and a new hire checklist did not include a procedure to conduct searches of public records. Because the firm relied upon Google searches and the accuracy of Central Registration Depository (CRD®) disclosures made by prior employers to investigate applicants, it recruited registered representatives with reportable disciplinary histories and financial events. In order to verify the accuracy of an applicant's Uniform Application for Securities Industry Registration or Transfer form (Form U4), the firm used a CRD authorization/rep summary form. This form required applicants to indicate whether they were aware of a pending disciplinary action, customer complaint, regulatory investigation, arbitration, or criminal complaint/indictment against them, but did not clarify that financial events, such as liens or judgments, should be disclosed. Although required by the new hire checklist and the Form U4, the firm did not contact its applicants' former employers. Due to the firm's inadequate background check procedures, it hired registered representatives without conducting a pre-registration search in CRD. The firm failed to detect pending bankruptcies, judgments and tax liens for registered representatives. The findings also stated that the firm expanded the number of its associated persons and branch offices beyond its membership agreement without filing a CMA for a material change in business and without the requisite approval from FINRA. ([FINRA Case #2016047845201](#))

Lincoln Investment Planning, LLC (CRD #519, Fort Washington, Pennsylvania)

December 10, 2020 – An AWC was issued in which the firm was censured, fined \$35,000 and required to certify to FINRA that it has completed a review of its policies, systems and procedures regarding the monitoring of transmittals of customer funds, and that its policies, systems and procedures are reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that its supervisory system and WSPs were not reasonably designed to achieve compliance with its obligation to monitor transmittals of customer funds, including a method of customer confirmation, notification, or follow-up that can be documented and as a result, impostors stole or attempted to steal customer funds by requesting transfers from customer accounts. The findings stated that the firm relied upon other written policies and procedures it maintained, including its operations policy and its advisor compliance manual, which did not reasonably address the requirement. The firm's operations policy did not state how many verification questions, primary or secondary, needed to be answered correctly if a customer called the firm to request a transmittal of funds to an outside entity before granting a request or, alternatively, how many questions needed to be answered incorrectly before rejecting a request. In addition, the advisor compliance manual noted the importance of detecting red flags of identity theft, but it did not define red flags or explain how to identify or respond to red flags. The firm received telephone calls from a woman impersonating a customer. The imposter also faxed to the firm requests for transmittals of funds from the customer's brokerage account at the firm to a bank account, purportedly in her own name, which the firm processed. Ultimately, the imposter obtained approximately \$15,800 from the customer's account. The firm failed to reasonably identify and respond to multiple red flags concerning the customer. The firm reimbursed the customer the full amount that was wrongly transferred from her account, plus missed market gains. The findings also stated that the firm failed reasonably to implement its WSPs concerning the transmittal of customer funds to third-parties. An affiliated person of the firm received an email, which was sent by an imposter, from a second customer's email address. In the email, the imposter asked how to transfer \$30,000 that day to a third-party via check. The affiliated person then emailed the imposter an authorization letter that the imposter returned. The second customer's registered representative did not attest to the authenticity of the signature on the authorization letter. In fact, the signature was electronically affixed to the letter of authorization and could be manipulated. Moreover, no one associated with the firm called the second customer to verify the transmittal request, as required by the firm's procedures. The firm issued the \$30,000 check payable to the third-party, as requested by the imposter. When the imposter attempted to deposit the check, the receiving bank, which had suspicions about the check, contacted the firm to verify the authenticity of the transaction. Personnel at the firm then called the second customer, who informed it that he had not requested the third-party check. The bank returned the funds, which were deposited back into the second customer's brokerage account at the firm.

Following its discovery of the events involving the customer accounts, the firm undertook remedial measures to address the deficiencies in its WSPs and supervisory system. ([FINRA Case #2018056408401](#))

R.F. Lafferty & Co., Inc. ([CRD #2498](#), New York, New York)

December 11, 2020 – An AWC was issued in which the firm was censured and fined \$55,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to maintain order memoranda that accurately reflected whether trades were solicited for trades in customer accounts. The findings stated that rather than maintaining physical order tickets or other internal records as a memorandum of each brokerage order, the firm relied on records generated by its clearing firms that included a field indicating whether each trade was solicited or unsolicited. However, one of the clearing firms regularly failed to indicate whether these trades were solicited or unsolicited. The firm’s order memoranda and other books and records lacked any other information indicating whether the trades were solicited or unsolicited. The findings also stated that the firm failed to establish and maintain a supervisory system, and failed to enforce WSPs, reasonably designed to achieve compliance with applicable recordkeeping laws, regulations and rules pertaining to review and retention of order memoranda. The firm allowed individual representatives, when entering customer trades in the order management systems maintained by its clearing firms, to select whether or not they had solicited the trades. The firm then retained just the information it received from its clearing firms in its own books and records but maintained no supervisory system to ensure the accuracy of its order memoranda. To the contrary, when firm supervisory personnel became aware of inaccurate solicitation information in the firm’s books and records, they treated the trades as unsolicited for purposes of supervisory review. Firm operations personnel occasionally asked representatives about trades in customer accounts with an inaccurate solicitation indicator and, when that happened, on an ad hoc basis, would correct the order memoranda or add a comment to the blotter to show the trades as either solicited or unsolicited. The firm did not, however, correct all or even most of these trades and took no other steps to remedy the problem. ([FINRA Case #2016047634501](#))

Cetera Advisor Networks LLC ([CRD #13572](#), El Segundo, California), Cetera Advisors LLC ([CRD #10299](#), Saint Cloud, Minnesota) and Cetera Financial Specialists LLC ([CRD #10358](#), Schaumburg, Illinois)

December 15, 2020 – An AWC was issued in which the firms were censured, Cetera Advisor Networks LLC was fined \$750,000, Cetera Advisors LLC was fined \$150,000, Cetera Financial Specialists LLC was fined \$100,000 and the firms were ordered to review and revise, as necessary, their systems, policies and procedures with respect to the supervision of their dually registered representatives’ securities transactions and certify that they have engaged in the review and that they have established and implemented systems, policies and procedures that are reasonably designed to achieve compliance with applicable FINRA rules. Without admitting or denying the findings, the firms consented to the sanctions and to

the entry of findings that they failed to supervise certain private securities transactions of dually registered representatives who were associated with outside registered investments advisors (RIAs) and had unreasonable supervisory systems and WSPs to supervise private securities transactions that the dually registered representatives recommended through the outside RIAs. The findings stated that the firms were aware of the supervisory deficiencies as they were identified in SEC examinations; yet, despite several efforts to address such deficiencies, they failed to implement systems and procedures to reasonably supervise the transactions. The firms also initiated a project to obtain the information necessary to supervise outside RIA transactions for dually registered representatives. This project, however, was not completed and the automated system for outside RIA transaction review was not implemented. The findings also stated that due to the firms' supervisory failures, they failed to record dually registered representatives' private securities transactions conducted through their outside RIAs on their books and records. ([FINRA Case #2015046716901](#))

Calton & Associates, Inc. ([CRD #20999](#), Tampa, Florida)

December 18, 2020 – An AWC was issued in which the firm was censured, fined \$18,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it reported to TRACE customer allocation transactions in TRACE-eligible securitized products that should have been reported as 95 block transactions. The findings stated that the firm failed to report to TRACE the correct capacity and/or commission for transactions in TRACE-eligible securities. The firm entered fixed income transactions it executed into its clearing firm's system for reporting to TRACE. The firm entered the transactions as principal and, for certain transactions, also included a fee to offset the clearing costs associated with the trade. The firm used a unique principal designation offered by its clearing firm to report such clearing cost fees in the commission field. TRACE does not allow the submission of principal transactions with commissions. Due to this restriction, and unbeknownst to the firm, the firm's clearing firm changed the principal capacity for these transactions to agent in the relevant TRACE reports. As a result, the publicly disseminated TRACE reports inaccurately reported the firm as having acted in an agency capacity in connection with these transactions when, in fact, it had acted in a principal capacity. In some of those transactions, the firm also inaccurately reported clearing cost fees as commissions. The findings also stated that the firm failed to establish and maintain a system, including WSPs, to supervise the activities of each associated person that was reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules, specifically those concerning the firm's compliance with TRACE reporting rules. The WSPs failed to describe the supervisory steps to be taken by the designated supervisor to review for, among other things, the accuracy of the firm's TRACE reports. The WSPs also failed to describe what TRACE notices and/or reports any such supervisor should consult in conducting reviews. The firm did not include a review of the accuracy of the TRACE reports, or the accuracy of its capacity/commission entries. Also, the firm's frontline supervision of

its TRACE report amounted to a review of reports generated by its clearing firm, yet none of those reports contained information that would have allowed the firm to verify the accuracy of its TRACE reports. ([FINRA Case #2019062882101](#))

Supreme Alliance LLC ([CRD #45348](#), Haschbach am Remigiusberg, Germany)

December 18, 2020 – An AWC was issued in which the firm was censured, fined \$65,000 and required to notify customers whose identifying information was transmitted to an unauthorized email account; revise its Identity Theft Prevention Program to address the deficiencies identified herein and comply with Regulation S-ID of the Exchange Act; and enhance its email security systems. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to develop and implement a written Identity Theft Prevention Program reasonably designed to detect, prevent and mitigate identity theft in connection with opening or maintaining customer accounts. The findings stated that the firm’s program failed to include reasonable policies and procedures to identify or detect red flags of identity theft, and its procedures for responding to suspected identity theft were not tailored to its business. Although not formally titled Identity Theft Prevention Program, the firm had written procedures in place to respond to red flags of identity theft. However, the program failed to provide associated persons any guidance regarding steps to take in the event he or she suspected that an incident of identity theft had occurred. Moreover, the firm’s program consisted of generic policies and procedures and was not tailored to its actual business model. The findings also stated that upon learning of an email security breach involving the firm email account of its chief executive officer (CEO) and chief compliance officer (CCO), the firm failed to implement the procedures set forth in its program to mitigate the risk of identity theft due to the exposure of its customers’ identifying information to an unauthorized third-party. After an outside email vendor informed its CEO and CCO that his firm email account had likely been compromised, the firm failed to take steps to mitigate the risk of identity theft resulting from the incident. It was not until FINRA inquired about email communications with this external email address during the firm’s cycle exam that the firm attempted to determine the scope of the breach. To date, the firm has not notified any customers whose identifying information was exposed because of the incident. Some of the emails contained identifying information relating to the firm’s customers, including customers’ social security numbers, account numbers, driver’s license numbers and dates of birth. ([FINRA Case #2019062898302](#))

Transamerica Financial Advisors, Inc ([CRD #16164](#), St. Petersburg, Florida)

December 21, 2020 – An AWC was issued in which the firm was censured, fined \$4,400,000 and ordered to pay \$4,354,160, of which \$321,167 includes interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise its registered representatives’ variable annuity recommendations and made disclosures that contained

materially inaccurate information or omitted material information in connection with variable annuity exchange recommendations. The findings stated that the firm and its representatives received compensation from new variable annuity sales, trails and subsequent contributions in the form of gross dealer commissions in excess of \$591 million, representing more than 40 percent of the firm's total revenue. The firm failed to provide adequate training to its representatives regarding how to complete disclosure forms that were required when recommending a variable annuity exchange and failed to provide adequate training to supervisors regarding how they should verify the information on the disclosure forms or how they should use that information to conduct a meaningful comparison of old and new variable annuities. As a result, certain firm principals approved variable annuity exchanges based on disclosure forms that contained inaccurate or missing information, which had the effect of making the exchanges appear to be more favorable than actually was the case. In certain instances, these misstatements or omissions prevented the firm's reviewing principals from having a reasonable basis to approve these transactions. In addition, the firm failed to reasonably surveil representatives' rates of variable annuity exchanges and failed to reasonably supervise representatives' variable annuity share-class recommendations. The firm failed to provide reasonable training and guidance to its representatives on the features, fees and surrender charges of the various share classes. As a result, certain representatives lacked the information necessary to compare share classes in making suitability determinations. Similarly, the firm failed to provide adequate training or guidance to its supervisors regarding variable annuity share classes. Consequently, supervisors did not identify common red flags. The firm also lacked a reasonably designed system to detect red flags of inappropriate share-class recommendations. Even when the firm became aware of red flags regarding representatives' variable annuity share-class recommendations, it failed to take appropriate action. The findings also stated that the firm failed to reasonably supervise mutual fund sales to ensure that eligible customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. The firm relied on its representatives to determine the applicability of sales charge waivers to customers' mutual fund purchases, but it failed to provide guidance to the representatives to assist them in making this determination and failed to establish a system to verify whether waivers were properly applied. As a result, the firm failed to apply sales charge waivers to certain mutual fund purchases made by eligible customers causing the firm to overcharge accounts a total of \$438,239. The firm reimbursed each of these accountholders during a FINRA examination. The findings also included that the firm failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written procedures reasonably designed to supervise the suitability of 529 savings plan share-class recommendations. The firm did not provide adequate guidance to representatives regarding the importance of considering share-class differences when recommending 529 plans and did not provide supervisors with the information necessary to properly evaluate the suitability of the share-class recommendations. ([FINRA Case #2015048250401](#))

B.C. Ziegler and Company ([CRD #61](#), Chicago, Illinois)

December 24, 2020 – An AWC was issued in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to transmit Reportable Order Events (ROEs) to the Order Audit Trail System (OATS™). The findings stated that nearly all of these ROEs were associated with a specific trading desk at the firm. The firm failed to report those ROEs because it was not aware that its vendor stopped reporting to OATS when it was sold to a third-party. The firm failed to report the remaining ROEs that were associated with a different trading desk because its OATS trade reporting agreements did not cover the desk's reportable trades, which were limited in volume. The firm failed to timely report ROEs associated with this desk. The desk had begun manually reporting trades; however its volume of OATS reportable trade increased substantially, leading to some ROEs being reported late. The findings also stated that the firm failed to designate an OATS supervisor and as a result it failed to supervise OATS reporting. The supervisor of the firm's retail trading desk had been the firm's OATS supervisor. However, the supervisor retired when the firm sold the retail trading desk and his supervisory duties were not transferred until nearly a year later. The findings also included that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA rules concerning OATS reporting. The firm's supervisory system and WSPs failed to provide for a periodic comparison of OATS data to its underlying books and records to verify the accuracy and completeness of OATS reports. In addition, the firm's WSPs were not reasonably tailored to its business. ([FINRA Case #2019061563601](#))

Deutsche Bank Securities Inc. ([CRD #2525](#), New York, New York)

December 31, 2020 – An AWC was issued in which the firm was censured, fined \$2,500,000 and required to adopt and implement policies and procedures reasonably designed to ensure compliance with the federal securities laws and FINRA rules addressed in the AWC. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it did not establish and maintain a supervisory system reasonably designed to achieve compliance with its record retention obligations. The findings stated that the firm's supervisory system and written procedures did not reasonably address the requirements of Rule 17a-4(f) of the Exchange Act. The firm did not assign responsibility for achieving compliance with its recordkeeping obligations to any particular department, team, or individual. Although the firm's written procedures for some business units included a reference to Rule 17a-4(f), these did not include guidance to firm personnel about compliance. In addition, the firm failed to comply with the requirements of Rule 17a-4(f) with respect to storing certain records electronically. The firm stored millions of required records electronically including its general ledger, supervisory procedures, customer statements and onboarding documents, and notices to customers. However, the firm did not notify its examining authority 90 days prior to storing records electronically, have an audit system providing for accountability regarding inputting of records to

electronic storage media and inputting of any changes made to every original and duplicate record, and retain a third-party vendor with access to and the ability to download information from the broker-dealer's electronic storage media to any acceptable medium, for certain of the documents identified above. The firm did not obtain an undertaking from any vendor that it would provide requested electronic records to the SEC, FINRA, or any other regulatory authority in the event the firm was unable to provide the records itself. Furthermore, the firm did not store the records in a non-rewriteable, non-erasable format, as required by Rule 17a-4(f). ([FINRA Case #2017055691901](#))

LPL Financial LLC ([CRD #6413](#), Fort Mill, South Carolina)

December 31, 2020 – An AWC was issued in which the firm was censured, fined \$6,500,000 and required to retain a third-party consultant to conduct a comprehensive review of its compliance in the areas identified in the AWC. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with regulatory obligations including record retention, fingerprinting and screening of associated persons, and supervision of consolidated reports. The findings stated that, among other things, the firm failed to retain electronic records in the required format, preserve certain electronic records and notify FINRA prior to employing electronic storage media. The firm's failure affected at least 87 million records and led to the permanent deletion of over 1.5 million customer communications maintained by a third-party data vendor. Further, the firm failed to send account notices that are required to be sent to customers at 36-month intervals for each account in which a suitability determination had been made to over one million customers. The findings also stated that the firm failed to fingerprint non-registered associated persons and thus failed to screen these persons for statutory disqualification based on criminal convictions. In addition, the firm did not create or maintain required fingerprint records for the persons that it failed to fingerprint. This failure arose from the firm's failure to maintain a reasonable supervisory system and procedures to identify and properly screen all persons who became associated with the firm in a non-registered capacity. The firm self-reported this failure to FINRA and commenced a remedial review. Separately, the firm permitted a non-registered associated person, who was subject to statutory disqualification, to remain associated with the firm. The findings also included that the firm failed to establish and maintain a supervisory system reasonably designed to supervise certain consolidated reports. The firm was not aware of, and therefore failed to reasonably supervise, certain tools that its approved third-party vendors provided to the firm's registered representatives to create and disseminate consolidated reports. In particular, the firm's vendors created non-finalized consolidated reports, which, although intended for internal use, could be sent to customers. Nonetheless, the vendors did not send such reports to the firm and it therefore did not review them. The firm's vendors also allowed representatives and customers to directly access consolidated reports on the vendors' websites, and the firm did not receive or review

consolidated reports that its representatives disseminated in this manner. The firm also failed to review assets that were manually entered by representatives on consolidated reports when the representatives categorized them as non-securities related, even when the manually entered assets were evidently securities related. A former representative of the firm exploited these supervisory deficiencies in perpetrating a Ponzi scheme through which he converted at least \$1,000,000 of the firm's customers' money. The former representative provided some of his customers with direct access to the website of one of the approved third-party vendors, where they were able to access consolidated reports that contained fictitious, manually added assets. The former representative also directly accessed the website of the vendor on at least one day. ([FINRA Case #2018059192701](#))

SG Americas Securities, LLC ([CRD #128351](#), New York, New York)

December 31, 2020 – An AWC was issued in which the firm was censured, fined \$1,000,000 and required to certify in writing to FINRA that it has implemented supervisory systems and WSPs reasonably designed to achieve compliance with federal securities laws and FINRA rules. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, including written procedures, reasonably designed to comply with its recordkeeping requirements. The findings stated that the firm's written procedures did not address any of the requirements of Rule 17a-4(f) of the Exchange Act. The firm amended its procedures to identify the recordkeeping requirements but did not include any guidance to firm personnel about compliance. The procedures did not identify any system, location, or database where documents should be stored, describe any process for auditing the integrity of such documents, or identify the individuals responsible for achieving compliance with record retention requirements. The firm also failed to comply with the requirements with respect to storing certain required records electronically. The firm stored electronically millions of required records, including general ledger records, records related to Financial and Operational Combined Uniform Single reports, bank statements, customer confirmations and statements, and trade records, but did not notify FINRA 90 days prior to storing these records electronically or have an audit system providing for accountability regarding the inputting of records to electronic storage media and the inputting of any changes made to every original and duplicate record. Nor did the firm retain a third-party vendor with access to and the ability to download information from the broker-dealer's electronic storage media to any acceptable medium and to obtain an undertaking from the vendor that it would provide requested electronic records to the SEC, FINRA, or any other regulatory authority in the event the firm was unable to provide the records itself. In addition, the firm failed to store the required records in a form and manner reasonably designed to safeguard them from loss, alteration, or destruction. The firm did not store the records in a non-rewriteable, non-erasable format, as required by Rule 17a-4(f). ([FINRA Case #2018059389401](#))

Firms Sanctioned

RBC Capital Markets, LLC ([CRD #31194](#), New York, New York)

December 15, 2020 – An AWC was issued in which the firm was censured and ordered to pay \$685,520, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system reasonably designed to supervise representatives' recommendations to customers to purchase particular share classes of 529 savings plans. The findings stated that the firm did not provide adequate guidance to representatives regarding the importance of considering share-class differences when recommending 529 plans. The firm also had no procedures requiring supervisors to review 529 plan share-class recommendations for suitability. The firm updated its procedures to include such a requirement, but the updated procedures failed to adequately instruct supervisors to consider either the age of the beneficiary or the number of years until expected withdrawals, both critical factors in determining the suitability of the recommended share class. In addition, the firm did not consistently provide supervisors with the information necessary to review the suitability of 529 plan share-class recommendations. Subsequently, the firm issued a company-wide compliance alert that provided guidance to representatives regarding 529 plan share-class recommendations. Later, the firm updated its supervisory systems and procedures with respect to 529 plan share-class recommendations. Among other things, the firm instructed supervisors to consider the age of the beneficiary when assessing the suitability of a representative's 529 plan share-class recommendation. The firm has agreed to pay restitution and interest relating to the sale of Class C shares to certain 529 plan customers in the estimated amount of \$839,803. ([FINRA Case #2016047696701](#))

Citigroup Global Markets Inc. ([CRD #7059](#), New York, New York)

December 17, 2020 – An AWC was issued in which the firm was censured and ordered to pay \$514,932, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain a supervisory system reasonably designed to supervise representatives' recommendations to customers to purchase particular share-classes of 529 savings plans. The findings stated that for 529 plan accounts that were established through the firm's order entry and account system, and for the transactions effected through that system, firm supervisors reviewed and approved accounts at the time of opening and supervised transactions in those accounts through a daily trade blotter review. For 529 plan accounts and transactions that occurred off-platform, which comprised the majority of the firm's 529 plan business, the firm did not consistently apply the same level of supervisory review and approval. Unless firm representatives took additional and voluntary steps to create a shell account that would effectively link off-platform 529 plan business with the firm's internal order entry and account system, the firm's supervisors

lacked information necessary to supervise those accounts and transactions. While the firm had procedures that allowed representatives to create shell accounts and upload to its system beneficiary birthdates, anticipated enrollment dates and other relevant information, there was no requirement that representatives do so. Moreover, absent the creation of a shell account, the firm did not have any process, procedure, or control in place to identify off-platform accounts and transactions, and check that those accounts and transactions were subject to supervisory review, including with respect to the suitability of share-class recommendations. As a result, the firm failed to supervise thousands of 529 plan transactions that representatives executed directly with plan fund companies. These included transactions in accounts in which firm customers purchased 529 plan shares despite investment horizons suggesting those investments may have been unsuitable. ([FINRA Case #2018057389701](#))

Individuals Barred

David Alan Stateman ([CRD #5530638](#), Sunrise, Florida)

December 1, 2020 – An AWC was issued in which Stateman was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Stateman consented to the sanction and to the entry of findings that he failed to respond to FINRA’s requests for documents and information. The findings stated that this matter originated from FINRA’s review of a Uniform Termination Notice for Securities Industry Registration (Form U5) that Stateman’s former member firm had filed, which disclosed that a customer filed a written complaint against him expressing concerns that funds given to him were not deposited in a timely manner, and that the customer was given misinformation that may result in taxes due to the IRS. ([FINRA Case #2019063797402](#))

Raymond Alexander Thomas ([CRD #1675282](#), Brooklyn, New York)

December 2, 2020 – An Offer of Settlement was issued in which Thomas was barred from association with any FINRA member in all capacities. Without admitting or denying the allegations, Thomas consented to the sanction and to the entry of findings that he engaged in outside business activities (OBAs) through a company he formed and controlled without providing prior notice to his member firm. The findings stated that Thomas functioned and held himself out as an officer, director and employee of the company. As the company’s principal officer, Thomas caused it to enter into a number of agreements, including a consulting agreement with an international venture capitalist. Many of those agreements show that Thomas had the reasonable expectation of compensation for the activities he performed on behalf of the company. Thomas was, in fact, compensated for the OBAs he performed. Thomas opened bank accounts in the company’s name, used those bank accounts to receive numerous third-party wire deposits from entities and individuals with whom the company conducted business and thereafter withdrew cash from the accounts or used the proceeds to pay for his personal expenses. The findings also stated that Thomas

repeatedly provided false or misleading information to FINRA in an effort to conceal that he was engaged in OBAs. FINRA sent Thomas a personal activity questionnaire in anticipation of an examination of the branch office where he worked. On the questionnaire, Thomas falsely answered no to the question that asked whether he was engaged in any outside employment/activities or private securities transactions and the question that asked whether he served as an officer or director for any publicly traded or private company. In addition, FINRA interviewed Thomas on-site during the branch office examination. During the interview, FINRA asked Thomas whether he had participated in any business activities that were outside the scope of his relationship with the firm. In response, Thomas falsely told FINRA that he had not participated in any business activities outside the scope of his relationship with the firm. Further, Thomas falsely told FINRA that he had no other sources of income besides the commission payments he received from the firm. The findings also included that when FINRA requested that Thomas identify all bank accounts that he controlled, for which he had signatory authority, or in which he had a beneficial interest, he did not identify any of the bank accounts that he had established for the company, even though he had withdrawn nearly \$100,000 from those accounts in the preceding 14 months. FINRA also requested that Thomas complete a FINRA background questionnaire in anticipation of his appearing to provide on-the-record testimony. Thomas' response to the background questionnaire was false or misleading. When the questionnaire asked Thomas to list all email addresses (business and personal) that he had used during the last five years, his response did not disclose a company email address, even though he had sent emails from that address as recently as the preceding month. FINRA found that when it took Thomas' sworn testimony, he falsely testified, among other things, that his mother had created the company and that he did not have control of or signatory authority for any of the company's bank accounts. ([FINRA Case #2017056561101](#))

Robert James Halldin ([CRD #1458098](#), Fort Lauderdale, Florida)

December 3, 2020 – An AWC was issued in which Halldin was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Halldin consented to the sanction and to the entry of findings that he refused to appear for on-the-record testimony requested by FINRA as a part of an investigation that originated from its review of a series of Form U5 amendments filed by his former member firm. The findings stated that the Form U5 amendments disclosed complaints and arbitrations filed against Halldin alleging that he traded securities in individuals' brokerage accounts held away from the firm. ([FINRA Case #2017056119601](#))

Michael Edward Magill ([CRD #2024663](#), Boca Raton, Florida)

December 7, 2020 – An AWC was issued in which Magill was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Magill consented to the sanction and to the entry of findings that he, without first providing written notice to or receiving written approval from his member firm, participated in private investments away from his firm to investors who were not customers of the firm.

The findings stated that Magill began working on behalf of a private issuer to find potential investors for a principal-protected note offered by the issuer. Magill recommended the note to investors, one of whom was elderly, who invested a total of \$700,000. When recommending the note to the investors, Magill offered higher interest rates for immediate investments and told the investors that the investment was only available for a short time. Magill earned \$14,000 in commissions, a bonus for securing investments by a certain time period and a salary that the issuer paid him. Prior to recommending the note, Magill failed to conduct reasonable diligence to understand the features and risks of investing in the note. Later, Federal authorities shut down the issuer's offices. An executive of the issuer and Magill's supervisor at the issuer both pled guilty to conspiracy to commit wire fraud and were sentenced to prison. It turned out that the issuer's notes were not legitimate investments and the investors lost their entire investment. ([FINRA Case #2019064830701](#))

Marisa Kathleen Quintero (CRD #6346508, Spring, Texas)

December 11, 2020 – An AWC was issued in which Quintero was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Quintero consented to the sanction and to the entry of findings that she converted approximately \$10,000 from a customer of a bank affiliated with her member firm by making unauthorized withdrawals from the customer's bank accounts. The findings stated that Quintero used the funds to pay her personal credit card bills. After the customer discovered the unauthorized withdrawals, Quintero repaid the funds. ([FINRA Case #2019063613303](#))

Jiong Gu (CRD #5768477, New York, New York)

December 16, 2020 – An AWC was issued in which Gu was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Gu consented to the sanction and to the entry of findings that he refused to provide documents and information requested by FINRA in connection with its examination into his OBAs, including the banking and brokerage activities being conducted by or through certain of those OBAs. The findings stated that Gu initially provided a partial, but incomplete, response to FINRA; however, he later advised that he would not produce the remaining information and documents requested. ([FINRA Case #2019063861401](#))

Gautam Arora (CRD #5443201, Anaheim, California)

December 18, 2020 – An AWC was issued in which Arora was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Arora consented to the sanction and to the entry of findings that he refused to produce information and documents requested by FINRA in connection with its investigation after receiving a Form U5 from his former member firm. The findings stated that the Form U5 stated that Arora solicited various individuals to participate in unapproved investments away from the firm and entered into lending arrangements and promissory notes with these individuals without receiving prior approval from the firm. Although Arora initially cooperated with FINRA's investigation, he ceased doing so. ([FINRA Case #2019064867601](#))

Najib Hossain Khan ([CRD #5771774](#), Woodmere, New York)

December 18, 2020 – An AWC was issued in which Khan was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Khan consented to the sanction and to the entry of findings that he failed to comply with requests to provide documents and information to FINRA in connection with its investigation of the filing of a Form U5 by his former member firm, terminating his registration because he had been terminated by an affiliate bank due to suspected involvement in theft from customer bank accounts. The findings stated that while Khan provided some responsive materials, he failed to make a complete production. ([FINRA Case #2019062973402](#))

Brian Radoo ([CRD #2558458](#), North Woodmere, New York)

December 18, 2020 – An AWC was issued in which Radoo was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Radoo consented to the sanction and to the entry of findings that he refused to provide information and documents requested by FINRA in connection with an investigation into whether he engaged in an undisclosed OBA. ([FINRA Case #2019064942101](#))

Michael Francis Shillin ([CRD #5927156](#), Eau Claire, Wisconsin)

December 21, 2020 – An AWC was issued in which Shillin was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Shillin consented to the sanction and to the entry of findings that he refused to produce information and documents or appear for on-the-record testimony requested by FINRA. The findings stated that Shillin's member firm filed a Form U5 stating that he had resigned while under investigation for creating and altering documents and emails designed to show the existence of a long term care insurance policy that did not exist, for directly making a series of payments to the beneficiary of the non-existent long term care insurance policy and for making material misstatements and providing falsified/altered documents to firm personnel during the investigation in an apparent effort to explain the situation. The firm filed an amended Form U5 stating that a client had complained that Shillin made misrepresentations relating to the amount and source of expected dividends in his account. ([FINRA Case #2020068226101](#))

Yousef Abbasi ([CRD #5251101](#), Cresskill, New Jersey)

December 24, 2020 – An AWC was issued in which Abbasi was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Abbasi consented to the sanction and to the entry of findings that he improperly used the funds of his member firm by charging personal car rides totaling \$27,177.26 to the firm's corporate account, including travel to and from the airport for personal vacations, to casinos, and to and from a friend's wedding. The findings stated that Abbasi charged the car service expenses to the firm's corporate account as if it was business-related, with the knowledge that the firm would pay the expense, which it did. ([FINRA Case #2018059184102](#))

Individuals Suspended

Sean Michael Bogue Johnson (CRD #7165567, Granite Bay, California)

December 1, 2020 – An AWC was issued in which Johnson was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Johnson consented to the sanctions and to the entry of findings that he impersonated customers on phone calls to his member firm's affiliated insurance company without the customers' knowledge or consent. The findings stated that Johnson impersonated the firm customers in order to complete their whole life insurance policy applications. While impersonating these customers on the phone, Johnson answered personal and health related questions about the customers and confirmed that all answers to the questions were true and complete.

The suspension is in effect from December 7, 2020, through April 6, 2021. ([FINRA Case #2020065349501](#))

Martin Ray Evans (CRD #2412900, East Meadow, New York)

December 2, 2020 – An AWC was issued in which Evans was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Evans consented to the sanctions and to the entry of findings that he impersonated customers of his former member firm without their permission during telephone calls to the firm's customer service department in order to obtain the customers' account information. The findings stated that after joining another member firm, Evans, with the consent of the customers from his former firm, began to transfer customer accounts from the former firm to the new firm. When Evans submitted account transfer documentation to the former firm for certain customers, the account transfer requests were rejected because he had submitted incorrect customer account information. Evans then made numerous telephone calls to the former firm's customer service department to obtain account information for the customers, which he then used in resubmitting account transfer requests to the former firm. The findings also stated that, through his impersonations, Evans improperly obtained non-public personal customer information from his former firm, without the firm's or those customers' knowledge or consent. As a result, Evans caused his former firm to violate the SEC's Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Personal Information (Regulation S-P).

The suspension was in effect from December 7, 2020, through January 20, 2021. ([FINRA Case #2019061857201](#))

Kim Millman (CRD #2103467, Shrub Oak, New York)

December 3, 2020 – An AWC was issued in which Millman was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for eight months. Without admitting or denying the findings, Millman consented to the

sanctions and to the entry of findings that she willfully failed to timely amend her Form U4 to disclose tax liens and civil judgments which amounted to \$565,310. The findings stated that Millman certified, on an annual basis, that she understood the requirement to keep her Form U4 current and agreed to tell her supervisor within 30 days of any event that may require an affirmative answer on her Form U4. The findings also stated that Millman borrowed \$6,000 from a customer of her member firm without providing prior notice to, or obtaining prior written approval from, the firm. The customer wrote a personal check for \$6,000 to Millman with the agreement that the loan would be repaid within a few months with three percent interest. Millman repaid the customer after the customer contacted the firm and notified it of the loan.

The suspension is in effect from December 7, 2020, through August 6, 2021. ([FINRA Case #2019063913301](#))

Stephen Anthony Nappo (CRD #1691373, Clarence Center, New York)

December 4, 2020 – An AWC was issued in which Nappo was fined \$5,000 and suspended from association with any FINRA member in all capacities for 20 business days. Without admitting or denying the findings, Nappo consented to the sanctions and to the entry of findings that he participated in a private securities transaction by purchasing a \$50,000 promissory note from a company that manufactured and sold coffee products without providing prior written notice to his member firm. The findings stated that the promissory note was a security and the purchase, which Nappo made on his own behalf, was outside the scope of his employment with the firm. In addition, Nappo submitted an annual compliance questionnaire attestation to his firm in which he falsely stated that he had not participated in any securities transactions which had not been approved by the firm.

The suspension was in effect from January 4, 2021, through February 1, 2021. ([FINRA Case #2019064639702](#))

Nicholas Gregory Baecker (CRD #5618205, Portland, Oregon)

December 9, 2020 – An AWC was issued in which Baecker was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for four months. Without admitting or denying the findings, Baecker consented to the sanctions and to the entry of findings that he electronically forged the signatures of customers of his member firm on life insurance applications. The findings stated that Baecker caused the firm to maintain inaccurate books and records because some of the forged applications were for variable universal life insurance, a securities product sold by prospectus through the firm, and therefore were firm records.

The suspension is in effect from December 21, 2020, through April 20, 2021. ([FINRA Case #2019063056701](#))

Timothy James Pandekakes (CRD #4890164, Yonkers, New York)

December 9, 2020 – An AWC was issued in which Pandekakes was suspended from association with any FINRA member in all capacities for three months and ordered to pay \$20,000, plus interest, in partial restitution to customers. In light of Pandekakes' financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Pandekakes consented to the sanctions and to the entry of findings that he recommended unsuitable exchanges of variable annuities. The findings stated that Pandekakes recommended that two customers, who were a married couple nearing retirement, exchanged variable annuities without having a reasonable basis to believe that the exchanges were suitable for them. In each instance, Pandekakes recommended that the customers exchange the variable annuity during its surrender period, which caused the customers to pay \$44,406.17 in surrender fees. Moreover, in each instance, the recommended exchange caused the customers to lose living and death benefits, such as long-term income riders with guaranteed growth rates, for which they had already paid. In addition, each recommended exchange subjected the customers to a new surrender period.

The suspension is in effect from January 4, 2021, through April 3, 2021. ([FINRA Case #2019061498801](#))

Curtis R. Shinn (CRD #731973, Morgantown, West Virginia)

December 10, 2020 – An AWC was issued in which Shinn was fined \$5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Shinn consented to the sanctions and to the entry of findings that he made telephone calls to his member firm's customer service department, during which he impersonated his customers or former customers who had insurance policies or retirement accounts with the firm or one of its affiliated entities. The findings stated that during these calls, Shinn primarily sought to resolve service-related issues or to obtain general information about the customers' insurance policies or retirement accounts with the firm, including required minimum distribution amounts and account balances. Although the customers and former customers gave Shinn permission to contact the firm on their behalf, they did not give him permission to impersonate them on these phone calls.

The suspension was in effect from December 21, 2020, through February 3, 2021. ([FINRA Case #2019062818301](#))

James Arthur Conant (CRD #2325682, Atlanta, Georgia)

December 11, 2020 – An AWC was issued in which Conant was suspended from association with any FINRA member in all capacities for six months. In light of Conant's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Conant consented to the sanction and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose tax liens and a judgment totaling \$397,650. The findings stated that Conant engaged in a pattern of willfully failing to report disclosable events after his member firm had previously placed him on special supervision for failing to

timely disclose tax liens. Conant became aware of the tax liens shortly after they were filed and the judgment shortly after it was entered.

The suspension is in effect from December 21, 2020, through June 20, 2021. ([FINRA Case #2019063636301](#))

Michael Timothy Norvet (CRD #6820395, Aubrey, Texas)

December 11, 2020 – An AWC was issued in which Norvet was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for five months. Without admitting or denying the findings, Norvet consented to the sanctions and to the entry of findings that he contravened Section 17(a)(2) of the Securities Act of 1933 by making negligent misrepresentations and omissions. The findings stated that Norvet transferred \$4.325 million from the proceeds a company raised from its investors to another entity and then ultimately transferred the proceeds back. Norvet negligently failed to inform the investors in the company that money had been transferred out of the project to fund the other entity. The transfers to the other entity were not identified as a use of proceeds in the company's private placement memoranda (PPM) and were not otherwise disclosed, thus making Norvet's representations to the company's investors about the use of its funds inaccurate and misleading. In addition, Norvet negligently included the value of the transfers from the company in supplemental PPMs issued by the other entity, which as a result overstated the amounts raised by the other entity during the periods covered by the supplemental PPMs. Norvet also used approximately \$224,000 of proceeds from the company and the other entity's offerings to pay certain expenses of another unrelated partnership. These funds were later returned to the company and the other entity by the offering's sponsor. This use of proceeds was not identified in either of the PPMs, and Norvet's negligent failure to disclose them made his other representations to the investors inaccurate and misleading.

The suspension is in effect from December 21, 2020, through May 20, 2021. ([FINRA Case #2019062479101](#))

Jay Clint Tomlinson (CRD #2680269, Weehawken, New Jersey)

December 11, 2020 – An AWC was issued in which Tomlinson was fined \$7,500 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Tomlinson consented to the sanctions and to the entry of findings that he improperly exercised discretion without written authorization when placing trades in customer accounts. The findings stated that Tomlinson took over the management of customer accounts that had previously been managed by a third-party investment advisor who utilized a high-frequency, intra-day trading strategy focused on pharmaceutical stocks. Tomlinson continued this trading strategy; but, unlike the investment advisor, he did not have written authorization from the customers, or written acceptance from his member firm, to exercise discretion in the accounts. To the contrary, Tomlinson was subject to a plan of heightened supervision by his firm that forbade him

from placing discretionary trades in customer accounts. Also, unlike the investment advisor, who acted pursuant to a fixed-fee arrangement, Tomlinson charged a commission for each trade placed in the accounts. The findings also stated that Tomlinson caused his firm to maintain inaccurate order memoranda for each of the trades he placed on a discretionary basis. Tomlinson failed to mark any of those transactions as having been entered pursuant to the exercise of discretion. In addition, Tomlinson affirmatively mismarked order tickets for some of those trades. Specifically, Tomlinson mismarked the order tickets for those trades as unsolicited when, in fact, they were not unsolicited orders.

The suspension is in effect from January 4, 2021, through April 3, 2021. ([FINRA Case #2016047634502](#))

Drew R. Mantel (CRD #2636917, Lebanon, Ohio)

December 15, 2020 – An AWC was issued in which Mantel was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Mantel consented to the sanctions and to the entry of findings that he exercised discretion without written authorization in connection with transactions involving customers, of which almost half were seniors. The findings stated that, although the customers knowingly permitted him to exercise discretion, Mantel did not have their written authorization or his member firms' approval, which in any event would not have been granted due to the firms' policies, which prohibited the exercise of discretion except in circumstances not present here. Mantel exercised discretion without written authorization despite receiving informal discipline from both of his firms for the improper use of discretion. At both firms, the informal discipline consisted of written warnings in addition to oral discussions about the firms' policies regarding the use of discretion.

The suspension is in effect from December 21, 2020, through March 20, 2021. ([FINRA Case #2018058120201](#))

Angel Lynn Simpson (CRD #6488474, Angel, Florida)

December 15, 2020 – An AWC was issued in which Simpson was fined \$5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Simpson consented to the sanctions and to the entry of findings that she impersonated customers of her member firm during telephone calls she placed to the firm's call center. The findings stated that during these calls, which were made after her resignation from the firm, Simpson requested customer account statements and forms required to effect transactions requested by the customers. After receipt of the requested documents, Simpson assisted the customers in reviewing their accounts and effecting the transactions, which they authorized. Simpson received no compensation in connection with the transactions. The findings also stated that, through these impersonations, Simpson improperly obtained non-public personal information of

firm customers and as a result, caused the firm to unknowingly violate Regulation S-P. Simpson disclosed the non-public personal information to herself, a non-affiliated third-party, without providing the customers with notice and an opportunity to opt out of the disclosure.

The suspension is in effect from January 4, 2021, through February 17, 2021. ([FINRA Case #2019063651401](#))

John D. Craft (CRD #1844174, Philadelphia, Pennsylvania)

December 16, 2020 – An AWC was issued in which Craft was fined \$5,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Craft consented to the sanctions and to the entry of findings that he effected transactions in a customer's individual retirement account (IRA) based on instructions he received from the customer's mother, without obtaining the customer's prior authorization for the trades or a power of attorney authorizing the customer's mother to direct trading in the customer's IRA. The findings stated that Craft executed trades with a total value of approximately \$20,333 in the customer's IRA. These trades included stock sales liquidating all investments in the customer's IRA, which generated approximately \$10,000 in proceeds that were distributed out of the account.

The suspension is in effect from January 19, 2021, through March 18, 2021. ([FINRA Case #2019062964801](#))

Neal Scott (CRD #1038348, Bardonia, New York)

December 17, 2020 – An AWC was issued in which Scott was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Scott consented to the sanctions and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose tax liens and judgments totaling \$36,693. The findings stated that Scott was registered through his former member firm when he became aware of the liens and a judgment. Although Scott was aware of the existence of unsatisfied tax liens and an unsatisfied judgment against him, he did not amend his Form U4 to disclose them within 30 days as required. To the contrary, Form U4 amendments were filed by Scott's former firm on his behalf after he became aware of the above-mentioned unsatisfied liens, but they were not disclosed on the amendments. Moreover, when Scott became registered through a new firm, he falsely stated on a pre-hire questionnaire that he did not have any unsatisfied liens or judgments against him, other than those previously disclosed on his Form U4. Scott also failed to disclose the unsatisfied liens and judgment on his initial Form U4 filed by the new firm. Scott belatedly disclosed the unsatisfied liens and judgment on a Form U4 amendment. However, the new firm filed a number of Form U4 amendments on Scott's behalf between the time he became registered through the new firm and the belated disclosure, but the unsatisfied liens and judgment were not disclosed on those earlier

amendments. Later, Scott became aware that a second judgment was entered against him. Scott belatedly disclosed the unsatisfied judgment on a Form U4 amendment. Scott also became aware that another judgment was entered against him. Scott failed to disclose the unsatisfied judgment on a Form U4 amendment until over a month later, even though he had filed a Form U4 amendment on an intervening date, which failed to disclose the judgment.

The suspension is in effect from December 21, 2020, through March 20, 2021. ([FINRA Case #2019061947401](#))

Michael Anthony Tavel ([CRD #4862463](#), Indianapolis, Indiana)

December 17, 2020 – An AWC was issued in which Tavel was assessed a deferred fine of \$20,000 and suspended from association with any FINRA member in all capacities for 18 months. Without admitting or denying the findings, Tavel consented to the sanctions and to the entry of findings that he participated in private securities transactions away from his member firm without providing a written disclosure to the firm and falsely attested that he had not solicited any unapproved private placements. The findings stated that Tavel agreed to act as a placement agent for a private issuer purportedly in the business of making commercial loans. A few months later, Tavel provided an elderly customer of the firm with a conservative risk tolerance and an investment objective of growth with income with the issuer's marketing materials and explained a potential investment with the issuer to him. The customer purchased a \$25,000 note for which Tavel received a \$562.50 commission. Subsequently, the issuer and its chairman were charged by the SEC with fraud and the customer lost his entire investment. In addition, Tavel agreed to act as placement agent for an oil-extraction company. Based on Tavel's recommendation and explanation of the venture, two of his other firm customers invested in private placements connected to the company. One invested \$200,000 and the other \$40,000. Tavel received a total of \$19,700 in commissions for the transactions. Neither customer complained about their investment. The findings also stated that other than reviewing marketing materials provided by the issuer, Tavel did no meaningful due diligence before recommending that the elderly customer invest the \$25,000. Thus, Tavel had no reasonable basis to recommend the investment to anyone. The purported lender, whose business model ostensibly involved making short-term loans at high interest rates to entities that could not secure traditional financing, was not suitable for the customer given his investment profile. The findings also included that Tavel misrepresented his status as an investor to the elderly customer. In recommending that the customer invest with the issuer, Tavel provided him with marketing materials and added misleading annotations. Multiple statements inaccurately suggested to the customer that Tavel personally invested in the private issuer. FINRA found that Tavel attempted to settle the elderly customer's complaint away from the firm. The customer orally complained to the firm about the loss of his investment. Without informing the firm or receiving authorization to do so, Tavel offered to reimburse the customer for his \$25,000 loss in exchange for the customer withdrawing his complaint. The customer did not do so and later settled with the firm. Tavel subsequently reimbursed the firm.

The suspension is in effect from December 21, 2020, through June 20, 2022. ([FINRA Case #2019062350301](#))

Kane H. Waller ([CRD #4537969](#), Norwell, Massachusetts)

December 17, 2020 – An Offer of Settlement was issued in which Waller was fined \$10,000 and suspended from association with any FINRA member in all capacities for 90 days. Without admitting or denying the allegations, Waller consented to the sanctions and to the entry of findings that he engaged in unethical conduct by sharing customers' material non-public block order information with one of his most significant customers on the same side of the market. The findings stated that Waller then executed trades for the significant customer in the same securities that were the subject of his improper disclosure while the block order information was non-public. The findings also stated that Waller engaged in front running of block transactions. On at least two occasions, the significant customer instructed Waller to trade ahead of the other customer's order. After discovering his misconduct, Waller's member firm warned him that his conduct was not acceptable. Yet Waller engaged in the misconduct again. The firm compensated the customers whose block order information Waller improperly disclosed to the significant customer. In total, the firm paid \$7,155.72 to the affected customers to compensate them for any more favorable executions that the significant customer received with respect to price and quantity as a result of Waller's misconduct.

The suspension is in effect from January 19, 2021, through April 18, 2021. ([FINRA Case #2017055164001](#))

Frank Howard Zito ([CRD #2766336](#), Madison, Mississippi)

December 18, 2020 – An AWC was issued in which Zito was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for 16 months. Without admitting or denying the findings, Zito consented to the sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm. The findings stated that Zito recommended a limited liability company to a firm customer. Zito told the customer about his personal experience as an investor and relayed his understanding of how the investments and the business worked. Shortly afterward, the customer began investing in the company. Zito coordinated the customer's investments with his own and communicated with him regularly about his promissory notes, the payments connected to them and the paperwork related to the investments. Like Zito, the customer maintained investments in three promissory notes simultaneously, which accounted for a consistent principal outlay of \$1million. This pattern continued for nearly five years, until the Ponzi scheme unraveled, during which time the customer invested in 15 promissory notes totaling \$5 million. Zito received nearly \$100,000 in compensation as commissions on the customer's investments. In addition, Zito submitted annual certifications to his firm in which he denied recommending any offerings or private securities transactions that were

not offered through the firm. Later, the SEC filed a complaint against the company and its owner alleging that the company was a Ponzi scheme that bilked at least 150 investors out of \$85 million. The company's owner pleaded guilty to criminal charges related to his role in the Ponzi scheme. The findings also stated that Zito received compensation as a result of engaging in an OBA without ever disclosing that fact to his firm. Zito was involved in trying to help the company's owner find underwriting for a notional private placement equity offering related to the company. Zito inquired of various financial firms about their potential interest in the offering and arranged a meeting between the offering's backers and representatives of a local business-advisory firm. Although the company engaged the business-advisory firm, the notional private placement offering never came to fruition. Nonetheless, Zito began receiving sporadic payments from the company as compensation for his efforts. Even though the offering never raised any money, the company continued these payments to Zito, in varying amounts and intervals, until they totaled nearly \$130,000. In addition, Zito submitted annual certifications to his firm in which he denied being paid by any third-party for business conducted outside the firm.

The suspension is in effect from January 19, 2021, through May 18, 2022. ([FINRA Case #2018059223501](#))

Rawad Roy Alame (CRD #5376696, Raleigh, North Carolina)

December 21, 2020 – An AWC was issued in which Alame was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in all capacities for six months and ordered to pay deferred disgorgement in the amount of \$2,700, plus interest, to FINRA. Without admitting or denying the findings, Alame consented to the sanctions and to the entry of findings that he participated in private securities transactions involving his management of a securities account held at another firm, without providing written notice to, or obtaining approval from, his member firm. The findings stated that Alame recommended that his customers, a married couple, open a brokerage account at another firm. Alame then recommended and executed transactions in options securities in the customers' outside account, including \$578,246 in options purchases. The customers paid Alame at least \$2,700 in compensation for his purchase and sale activity in the outside account, which resulted in \$107,195 in realized losses. Alame's firm has reimbursed the customers for these losses. In addition, Alame falsely certified in response to his firm's compliance questionnaire that within the last 12 months he had not been paid by any client for business conducted outside of the firm, had not been given access to or knowledge of any client's passwords to log into a brokerage account, and did not participate in any accounts with clients that were not approved by the firm.

The suspension is in effect from January 4, 2021, through July 3, 2021. ([FINRA Case #2020065443201](#))

David Jin Kyu Chong ([CRD #2679656](#), Newport Beach, California)

December 22, 2020 – An AWC was issued in which Chong was fined \$20,000 and suspended from association with any FINRA member in all capacities for eleven months. Without admitting or denying the findings, Chong consented to the sanctions and to the entry of findings that he failed to disclose to, or seek approval from, his member firms for his appointments as a beneficiary of a firm customer's revocable living trust, healthcare power of attorney for her, and/or grant of powers to remove and/or appoint a successor trustee for the trust. The findings stated that Chong also acted on the customer's behalf in reliance on the healthcare power of attorney. Chong did not disclose the appointments until the customer passed away. One of Chong's firms did not approve his request and instructed him to resign the appointments. However, Chong still appointed a new trustee and concealed the fact that he remained a beneficiary while he was also the registered representative for the trust's firm account by making false statements on the firm's annual compliance questionnaires. The findings also stated that Chong participated in OBAs without providing prior written notice to that firm. Chong was named an officer and member of the board of directors for a start-up coffee farm and land venture company in Panama. Chong received shares of company stock, representing 50 percent ownership interest, and was later named president of the start-up company. However, Chong did not disclose his ownership interest and positions with the start-up company until later. In addition, Chong and his wife purchased residential property in Florida. Although Chong began collecting rent on the property, he did not disclose or receive approval from the firm for his OBA until years later. Chong also falsely stated that his involvement with this rental property began later than it did, and Chong made false statements on compliance questionnaires that he was not involved with any OBAs. The findings also included that Chong participated in private securities transactions without first notifying or receiving prior written approval from his firm. Chong introduced the trust to the start-up company, and facilitated the trust's investment in the start-up by among other things, receiving and forwarding the investment agreement, stock certificates, draft board of directors minutes and other investment updates, to the trust. Chong also introduced the trust to a leggings manufacturing company and, in connection with the trust's investment, Chong received and forwarded the convertible note purchase agreement, closing documents and wiring instructions, as well as the manufacturing company's marketing materials and other investment updates, to the trust. Chong facilitated another trust investment in an investment company by, among other things, receiving and forwarding the loan agreement and promissory note, and other information updates, to the trust. Chong did not receive compensation for his participation in the trust's investments, but falsely stated on compliance questionnaires that he was not engaged in any private securities transactions.

The suspension is in effect from January 19, 2021, through December 18, 2021. ([FINRA Case #2018059433001](#))

Beth L. Klein Friedman ([CRD #1432633](#), West Warwick, Rhode Island)

December 22, 2020 – An AWC was issued in which Friedman was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Friedman consented to the sanctions and to the entry of findings that she circumvented her member firm’s procedures when she did not provide notice to it after she became aware that she had been named as a beneficiary for two elderly customers to whom she was not related. The findings stated that the customers, a married couple, designated Friedman as a beneficiary of their trust and as one of their successor trustees. The findings also stated that Friedman falsely stated on a firm compliance questionnaire that she had not been named as any customer’s beneficiary. Friedman also failed to disclose that she had been appointed the customers’ successor trustee, even though the questionnaire required disclosure of such appointments. After the firm discovered her roles and the customers closed their firm account, Friedman subsequently circumvented the firm’s policies by accepting appointment as power of attorney and trustee for one of the former customers. Although the firm instructed her to relinquish the roles and she informed the firm that she would do so, Friedman continued to serve as power of attorney and trustee without notifying the firm. To date, Friedman has not obtained any payments from the customers for her service as fiduciary and has not received any inheritance from their estate.

The suspension is in effect from January 4, 2021, through April 3, 2021. ([FINRA Case #2019063788401](#))

Paul Lawrence Fowler Jr. ([CRD #1092715](#), Davidsonville, Maryland)

December 23, 2020 – An AWC was issued in which Fowler was fined \$5,000, suspended from association with any FINRA member in all capacities for 30 days and ordered to pay disgorgement of commissions received in the amount of \$1,955.85, plus interest. Without admitting or denying the findings, Fowler consented to the sanctions and to the entry of findings that he executed securities transactions with a total principal value of approximately \$60,050 in a customer’s account at his member firm based on instructions he received from the husband of the principal and sole owner of a company, who was not a signatory to or authorized individual on the account. The findings stated that the company’s owner and principal never completed a third-party authorization and indemnification form granting the husband trading authority. Fowler earned \$1,955.85 in commissions from the unauthorized transactions.

The suspension is in effect from January 19, 2021, through February 17, 2021. ([FINRA Case #2019061893801](#))

Nico Joseph Rutella ([CRD #5579678](#), Melville, New York)

December 23, 2020 – An AWC was issued in which Rutella was assessed a deferred fine of \$5,000, suspended from association with any FINRA member in all capacities for four months and ordered to pay \$23,516, plus interest, in deferred restitution to a customer. Without admitting or denying the findings, Rutella consented to the sanctions and to the entry of findings that he excessively and unsuitably traded a customer's account. The findings stated that the customer, who was 67 years old when he opened the account, had limited investment knowledge and experience. On numerous occasions, Rutella recommended that the customer purchase a security, sell it after holding it for a short period of time (typically several weeks), only to repurchase the same security several weeks later. Collectively, Rutella's recommendations caused the customer to pay \$23,516 in commissions and resulted in an annualized cost-to-equity ratio of more than 44 percent, meaning the customer's investments had to grow by more than 44 percent just to break even. Rutella's recommended trades also resulted in the customer's account experiencing a realized loss of \$21,289.

The suspension is in effect from January 4, 2021, through May 3, 2021. ([FINRA Case #2020066888101](#))

Jaime Isaac Sanchez Rivera ([CRD #6013022](#), San Juan, Puerto Rico)

December 23, 2020 – An AWC was issued in which Sanchez was assessed a deferred fine of \$10,000 and suspended from association with any FINRA member in all capacities for five months. Without admitting or denying the findings, Sanchez consented to the sanctions and to the entry of findings that he falsified a business document, forged a third-party's signature on the document and later misled his member firm about the purpose of the falsification. The findings stated that one of Sanchez's customers was required by court order in a divorce proceeding to document his assets. These assets included a \$206,500 debt that Sanchez owed the customer for consultancy services rendered by the customer for Sanchez. Sanchez was embarrassed that he still had not paid the customer for these services and did not want to document his outstanding debt. Accordingly, rather than provide the customer with evidence of this debt, Sanchez decided to falsify a document to show that the customer possessed an asset valued at the debt amount. Sanchez also modified a term sheet describing a real estate transaction involving the purchase of senior living housing units by a limited liability company to falsely show that the customer owned an interest in the units valued at the debt amount. Sanchez forged the signature of the company's managing partner on the document. The customer provided the falsified term sheet to Sanchez's firm in connection with questions the customer had about the status of his account. The firm questioned Sanchez, who admitted that he had falsified the document and forged the signature. Sanchez, however, did not want the firm to know that he owed a debt to his customer. Rather than admit to the debt, Sanchez misinformed the firm that the purpose of the falsification and forgery was to show the customer that he would make the customer whole for trading losses incurred at a prior firm where he was

the broker of record. In addition, to assist the customer in obtaining life insurance, Sanchez provided the customer with a promissory note falsely representing that he owed the customer \$250,000.

The suspension is in effect from January 4, 2021, through June 3, 2021. ([FINRA Case #2020066775501](#))

Paul Zakhary (CRD #6399894, Oakland, Florida)

December 24, 2020 – An AWC was issued in which Zakhary was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Zakhary consented to the sanctions and to the entry of findings that he made unsuitable recommendations to customers to sell variable annuities and replace them with fixed annuities. The findings stated that Zakhary advised the customers to liquidate their variable annuities directly with the issuing company and assisted them with that process. The customers then deposited the proceeds with Zakhary's member firm. On Zakhary's recommendation, each of the customers used the proceeds of their variable annuity liquidations to purchase fixed annuities through the firm. At the time he made the recommendations, Zakhary lacked a reasonable understanding of the variable annuity products. Zakhary did not understand or consider the different subaccount investment options available within the variable annuity products before recommending the liquidations. Further, Zakhary did not understand when and how to execute a 1035 exchange to avoid immediate tax consequences for the customers when liquidating the variable annuities. As a result, 1035 exchanges were not utilized for the customers and taxes became due on the proceeds immediately, rather than being deferred. The findings also stated that Zakhary caused his firm to maintain inaccurate books and records. When Zakhary submitted the necessary documentation to the firm to purchase the fixed annuities for the customers, he failed to accurately complete the forms. When identifying the source of funds used to purchase the fixed annuities, Zakhary failed to disclose that a portion of those funds came from the liquidation of variable annuities. As a result, the firm was not aware of the failure to execute 1035 exchanges until a customer complained over a year later, after preparing his taxes.

The suspension is in effect from January 4, 2021, through April 3, 2021. ([FINRA Case #2019063806101](#))

Jason Paul Collichio (CRD #4727199, Seaford, New York)

December 31, 2020 – An AWC was issued in which Collichio was fined \$5,000, suspended from association with any FINRA member in any principal capacity for three months and ordered to attend and satisfactorily complete 20 hours of continuing education concerning supervisory responsibilities. Without admitting or denying the findings, Collichio consented to the sanctions and to the entry of findings that he failed to reasonably supervise two former registered representatives at his member firm who engaged in a pattern of

recommending unsuitable active trading strategies to customers and churned customer accounts. The findings stated that Collichio, as the firm principal responsible for supervising the representatives, was aware of multiple red flags of excessive, unsuitable use of margin and churning, including high cost-to-equity ratios and high turnover rates in customer accounts. Collichio did not reasonably investigate those red flags or otherwise take meaningful action to stop the misconduct. Rather, Collichio generally assumed that such trading was reasonable for a customer with high net worth and speculative investment objective. Notably, the firm placed the representatives on heightened supervision because each had three or more customer complaints alleging sales practice abuses within the preceding two years. Pursuant to the heightened supervision plans for the representatives, Collichio was responsible for verifying with customers new account information when an account was opened, contacting customers and conducting a monthly review of book and sales practices. Collichio used emails containing extracts of monthly active account reports to identify customers to contact for each representative. On those calls, Collichio verified account information and confirmed that each customer was receiving trade confirmation emails and account statements. Collichio, however, did not investigate the suitability of the trading in the customers' accounts. One of the representatives churned and excessively traded seven customers' accounts, who incurred realized losses of \$1,834,834 from this trading while paying \$529,056 in commissions. Similarly, the other representative churned and excessively traded four customers' accounts, who incurred realized losses of \$1,170,635 from this trading, while paying \$940,705 in commissions. Although Collichio sometimes suggested that the representatives reduce future commissions or lower margin balances, he did not otherwise limit the trading or margin use in the accounts or discipline the representatives.

The suspension is in effect from January 19, 2021, through April 18, 2021. ([FINRA Case #2017056432602](#))

Daniel Peter Daly (CRD #1862120, Chicago, Illinois)

December 31, 2020 – An AWC was issued in which Daly was assessed a deferred fine of \$5,000 and suspended from association with any FINRA member in all capacities for five months. Without admitting or denying the findings, Daly consented to the sanctions and to the entry of findings that he willfully failed to disclose federal tax liens totaling approximately \$200,000 via the timely filing of an amended Form U4. The findings stated that this matter originated from FINRA's review of a Form U5, which reported that Daly was permitted to resign due to ongoing concerns with his personal financial fitness. Daly only disclosed the liens when they were brought to his attention by his member firm's or FINRA's review. The lateness of Daly's disclosures ranged between eight days to nearly four years. Daly also falsely attested on annual compliance questionnaires that he did not have any unsatisfied judgments or liens.

The suspension is in effect from January 4, 2021, through June 3, 2021. ([FINRA Case #2019062521501](#))

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.

Gregory Walter McCloskey (CRD #2820510, Irvine, California)

December 1, 2020 – McCloskey was named a respondent in a FINRA complaint alleging that he participated in undisclosed private securities transactions involving a customer, who was an elderly, retired widow, and then sought to conceal these transactions from his member firms and FINRA. The complaint alleges that McCloskey solicited the customer to purchase \$20,000 in shares of stock of a technology company that purportedly developed a wireless network system to control lighting for energy conservation. When McCloskey left his firm and joined another firm, the customer followed him. The customer's investment in the company eventually surfaced because she sent a written complaint to McCloskey at his firm business address about her investment. The customer's complaint prompted McCloskey to participate in another private securities transaction. To appease the customer and further attempt to conceal his misconduct, McCloskey arranged to have his sister purchase the customer's \$20,000 investment in the company's stock. McCloskey failed to timely disclose the written customer complaint and as a result, the firm was unable to timely report the complaint to FINRA. The complaint also alleges that McCloskey provided false information and false on-the-record testimony to FINRA. In connection with FINRA's investigation, which led to a previous AWC for McCloskey, FINRA requested that McCloskey provide a list of all firm customers who invested in the company, whether or not he participated in the purchase. McCloskey provided FINRA with a signed response to the request in which he identified three of his firm customers by name as the only firm clients who made their own direct investments in the company. McCloskey failed to identify the elderly customer described above as one of those customers. During subsequent on-the-record testimony to FINRA, McCloskey identified the same three customers he had identified in his written response and again omitted the same customer. The complaint further alleges that McCloskey attempted to obstruct FINRA's investigation. During a phone call with the customer, McCloskey urged her to create and sign a false written statement indicating that he did not participate in any manner in her \$20,000 investment in the company's stock. In exchange, McCloskey offered to let the customer keep the \$20,000 she received from his sister in the private securities transaction, and to also keep her shares of stock in the company. The customer refused to agree to McCloskey's proposal. In addition, the complaint alleges that McCloskey hid his participation in the customer's private securities transactions from his firms by using an unapproved email address for securities-related communications with the customer, which caused both of his firms to have inaccurate books and records. As a result of McCloskey's failure to disclose or receive

approval to use his unapproved email address to communicate with the customer, his firms were unable to review and preserve the email communications he sent to or received from the customer. Moreover, the complaint alleges that McCloskey falsely responded to questions on a personal activity questionnaire that his firm submitted to FINRA. McCloskey misled FINRA on the questionnaire by falsely attesting that while associated with a firm he had not: 1) received any complaints against him from a customer during the past 12 months, 2) utilized a third-party communication system, such as a third-party email address to communicate with customers, 3) engaged in any private securities transactions, or 4) prepared and distributed personalized account statements, consolidated statements or performance reports separate and apart from the account statements prepared and distributed by his firm. Further, the complaint alleges that McCloskey falsely stated on his annual compliance questionnaire that he had not solicited, sold, or participated in any private securities transactions during the past 12 months. ([FINRA Case #2018059242801](#))

Charles Thomas Stevens ([CRD #1698058](#), St. Augustine, Florida)

December 1, 2020 – Stevens was named a respondent in a FINRA complaint alleging that he willfully failed to amend his Form U4 to disclose, or to timely amend his Form U4 to disclose, unsatisfied federal tax liens. The complaint alleges that Stevens also willfully failed to disclose an unsatisfied judgment against him in the amount of \$634,387.65. The complaint also alleges that Stevens made false statements to his member firm regarding his tax liens and judgment in annual certifications. The complaint further alleges that Stevens failed to appear and provide on-the-record testimony requested by FINRA in connection with its investigation of his failure to timely update his Form U4. ([FINRA Case #2017056627801](#))

Wilfredo Felix Jr. ([CRD #2693672](#), North Amityville, New York)

December 3, 2020 – Felix was named a respondent in a FINRA complaint alleging that he failed to provide information and documents requested by FINRA in connection with its examination of his member firm. The complaint alleges that FINRA sent requests to Felix in an individual capacity that sought the firm's general ledger and an annual audit. Both of the items requested of Felix were within his possession, custody and control as the firm's owner, CEO, chief financial officer, and financial and operations principal. Indeed, as the sole owner and financial officer of the firm, Felix had sole control over its finances, books and records. The requested information and documents were necessary for basic firm oversight purposes, particularly in light of its apparent decision to cease operations as a broker-dealer and to wind down its operations. The requested information and documents were also necessary to determine if Felix and the firm continued to misclassify his personal expenses as expenses of the firm, which is the misconduct that gave rise to the violations found in an Office of Hearing Officers (OHO) decision which barred Felix in all capacities for his failure to provide personal tax-related documents requested by FINRA during the investigation of a prior matter. Felix appealed the OHO decision, including the sanction imposed against him, to the NAC. Felix's appeal to the NAC remains pending. ([FINRA Case #2020065128501](#))

Jason Edward Schwartz ([CRD #2798141](#), Richardson, Texas)

December 7, 2020 – Schwartz was named a respondent in a FINRA complaint alleging that he converted \$32,400 from his member firm by submitting falsified expense reports to the firm seeking reimbursement for expenses he never incurred. The complaint alleges that Schwartz entered into agreements with a local sports team to pay \$16,000 per season for the use of a suite at a certain number of games each season. Instead of submitting for reimbursement only the \$32,000 he paid for tickets for those seasons, Schwartz requested and obtained false invoices inflating the expense and misrepresenting that he had paid the expenses. Using the false invoices, Schwartz requested and received a total of \$64,400 in reimbursements from the firm. Schwartz retained and converted the \$32,400 the firm paid him in excess of his actual expenses, returning only part after his misconduct was discovered. The complaint also alleges that Schwartz provided false information to his firm by intentionally submitting or causing the submission of false reports to the firm. To conceal his misconduct, Schwartz lied to his manager about his payment for these purported expenses. The complaint further alleges that Schwartz caused the firm to maintain inaccurate books and records by submitting or causing the submission of expense reports supported by false invoices. In addition, the complaint alleges that Schwartz provided false and misleading responses to FINRA. During his on-the-record testimony, Schwartz gave false testimony regarding cash payments made to the sports team, and why the sports team invoices sent to him were marked paid, even though he had not paid such expenses. Schwartz first testified that he never paid the sports team in cash. When confronted with his prior statements to the firm that he had paid the sports team in cash for certain game tickets, Schwartz then falsely testified that he paid the sports team \$15,600 for two season games in \$500 to \$600 cash payments prior to games. Schwartz did not, however, pay the sports team in cash for any game tickets for which he sought reimbursement. Schwartz also falsely testified that he did not know why invoices sent to him from the sports team were marked paid, claiming that the sports team just sent them that way at the beginning of the year. The sports team sent him invoices marked ‘paid’ when he had not yet paid for the tickets in those invoices because, as Schwartz knew, he asked the team to do so. ([FINRA Case #2017056698601](#))

Gregory Jon Mancuso ([CRD #5681691](#), Austin, Texas)

December 21, 2020 – Mancuso was named a respondent in a FINRA complaint alleging that, during on-the-record testimony provided to FINRA, he lied in order to conceal his involvement with two senior customers’ transfers of funds to a company, a purported Swiss asset management firm. The complaint alleges that Mancuso was a consultant for the company and introduced the customers to it. Mancuso arranged for the customers, who were sisters, to transfer \$603,000 of their life savings to the company. Mancuso falsely denied knowing that the customers had transferred a significant portion of their life savings to the company, notwithstanding that he was the sole connection between these customers and the company and had facilitated the transfers. Mancuso also falsely testified that he believed one of the customer’s assets continued to be invested in a variable annuity

that he recommended to her while he was associated with a member firm when, in fact, he had previously made numerous telephone calls and sent emails to the variable annuity company to liquidate the customer's annuity so that the proceeds could be wired to the company. Finally, Mancuso lied about knowing of and contacting an attorney to potentially change one of the customer's power of attorney. ([FINRA Case #2020066608501](#))

Jason Howell Poff ([CRD #4078570](#), Houston, Texas)

December 23, 2020 – Poff was named a respondent in a FINRA complaint alleging that he engaged in undisclosed and unapproved OBAs, through a company that he owned and operated, for two outside entities. The complaint alleges that Poff initially disclosed the company to his member firm and sought approval from it to engage in vending machine consulting through the company. Upon review of the company and proposed OBA, the firm denied approval. Nevertheless, Poff, through the company, began to gather potential borrowers' information for the entities in preparation for obtaining loans. Poff, holding himself out as president of the company, drafted consulting contracts for potential borrowers. Certain of these potential borrowers also signed powers of attorney granting Poff's company authority to process a cashier's check that the entities would issue, and then direct funds received from the entities to the potential borrower's account. Poff's company also retained in its files copies of documents described as cashier's checks that the entities issued to the potential borrowers. Poff marketed the entities' product to at least one firm customer. Poff pitched an entity loan to the customer, who was a senior citizen at that time, and the customer signed a consulting contract and limited powers of attorney relating to the loan program. Poff expected to receive compensation for his work, through the company, for the entities. In fact, Poff hoped to be paid enough from his business with the entities to leave the firm completely. In addition, Poff engaged in business activity for another entity outside the scope of his employment with the firm. Poff never provided the firm with written notice of his or his company's business activities with this entity and did not receive approval for this business activity. The entity's owner, who was setting up a family investment office, was interested in buying and selling fixed income products. Poff opened an account for the entity at the firm but was told that it did not deal in the debt securities the entity's owner wished to trade. Poff signed and had notarized an independent contractor/consultant agreement with the entity. The contract stated that Poff, through the company, would be paid \$50,000 per month to provide to the entity professional services in the area of senior vice president as directed, needed and required. Poff assisted the entity and its owner in several bond transactions. Poff stopped engaging in this undisclosed and unapproved OBA after the firm learned of it and began an investigation. The complaint also alleges that Poff falsely attested to the firm on annual firm compliance questionnaires that he had disclosed all OBAs to the firm and that he was not engaging in any activity for OBAs that were not approved. ([FINRA Case #2018058501502](#))

Firms Cancelled for Failure to Pay FINRA Dues, Fees and Other Charges Pursuant to FINRA Rule 9553

David Harris & Co., Inc. (CRD #45670)
White Plains, New York
(December 31, 2020)

Sheridan Capital Securities, LLC (CRD #157439)
Irvine, California
(December 10, 2020)

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

vPE Wertpapierhandelsbank AG (CRD #147183)
Muenchen, Germany
(December 3, 2020)
FINRA Case #20200669187

Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Michael K. Reynolds (CRD #3080149)
New York, New York
(July 22, 2011 – December 15, 2020)
FINRA Case #2009019001901

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.)

Spyridon Chandrinou (CRD #7074000)
Charlotte, North Carolina
(December 4, 2020)
FINRA Case #2019064085501

Chelsea Kayla Flohr (CRD #6637430)
Melbourne, Florida
(December 28, 2020)
FINRA Case #2020065292401

Jon Marshall Foster (CRD #6493287)
Virginia Beach, Virginia
(December 28, 2020)
FINRA Case #2020067003101

Caleb Andrew Hutzler (CRD #6446513)
Martinsburg, West Virginia
(December 7, 2020)
FINRA Case #2020065355901

Narongdej Jaroensabphayanont (CRD #5393272)
Seattle, Washington
(December 4, 2020)
FINRA Case #2020066841801

Aaron Stephen Pierett (CRD #6113551)
Johnson City, Tennessee
(December 28, 2020)
FINRA Case #2020066084301

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.)

Tracy Adams (CRD #4129723)

Kansas City, Missouri
(December 14, 2020)
FINRA Case #2020066667801

Ronald G. Bartsch (CRD #2104489)

Waukesha, Wisconsin
(December 14, 2020)
FINRA Case #2019064725701

Lynn Dale Cawthorne (CRD #3211221)

Shreveport, Louisiana
(January 27, 2020 – December 10, 2020)
FINRA Case #2018059919701

Jorge Alberto Guzman (CRD #6323996)

Hempstead, New York
(December 28, 2020)
FINRA Case #2020065475201

Nelson Michael Polun (CRD #365420)

Bel Air, Maryland
(December 7, 2020)
FINRA Case #2019061783501

Richard Arthur Norman Ramos (CRD #7071501)

Stanton, California
(December 18, 2020)
FINRA Case #2020066271201

Curtis Howard Smiley (CRD#4443310)

Tampa, Florida
(December 7, 2020)
FINRA Case #2019064554301

David Alan Stateman (CRD #5530638)

Sunrise, Florida
(May 1, 2020 – December 10, 2020)
FINRA Case #2019063797401

Dwight George Sulc (CRD #1247212)

Oklahoma City, Oklahoma
(December 31, 2020)
FINRA Case #2019064584901

Alon Zak (CRD #5734529)

Valley Village, California
(December 23, 2020 – January 11, 2021)
FINRA Case #2020065349801

Individual Suspended for Failure to Pay FINRA Dues, Fees and Other Charges Pursuant to FINRA Rule 9553

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

Joseph Michael Shimko Jr. (CRD #4611093)

Palm City, Florida
(December 7, 2020)
FINRA Arbitration Case #18-00162

Individuals Suspended for Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution Pursuant to FINRA Rule Series 9554

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

Lawrence John Fawcett Jr. (CRD #5851474)
Dix Hills, New York
(December 8, 2020)
FINRA Arbitration Case #20-00736

Lawrence Guy Freedman (CRD #861663)
Boca Raton, Florida
(December 11, 2020)
FINRA Arbitration Case #17-03412

Ganesh Ramachandran Lyer (CRD #1782997)
Houston, Texas
(December 23, 2020)
FINRA Arbitration Case #17-01985

Carolyn Joan Neale (CRD #1801805)
Cincinnati, Ohio
(December 8, 2020)
FINRA Arbitration Case #19-01708

Paul Stanford (CRD #4462035)
Plymouth, Massachusetts
(September 15, 2020 – December 1, 2020)
FINRA Arbitration Case #20-01006

Nelson Torrens (CRD #5006934)
Atlanta, Georgia
(December 23, 2020)
FINRA Arbitration Case #16-02887

Wesley S. Wallace (CRD #5822512)
Lindenhurst, New York
(December 23, 2020)
FINRA Arbitration Case #19-03472

Maurice C. Wilde (CRD #2693509)
Palm Beach Gardens, Florida
(November 5, 2018 – December 15, 2020)
FINRA Arbitration Case #17-02551

PRESS RELEASES

FINRA Announces Interim Progress of Voluntary 529 Plan Share Class Initiative

\$2.7 Million in Restitution to Customers; Two Matters Resolved Through Settlements and 17 Matters Resolved Through Cautionary Actions, Resulting in Remediation to Customers and Correction of Supervisory Deficiencies

FINRA today announced initial results of its voluntary self-reporting 529 Plan Share Class Initiative (529 initiative), which include more than \$2.7 million in restitution and interest to customers owning approximately 3,900 accounts, arising from settlements with two firms and 17 matters resolved through cautionary action letters. All 19 firms in this initial group agreed to remediate harmed customers and to enhance their supervisory systems and procedures, where appropriate. In January 2019, FINRA launched the initiative through Regulatory Notice 19-04 to promote member firms' compliance with the rules governing share-class recommendations of 529 savings plans and promptly compensate harmed customers.

529 plans are tax-advantaged municipal securities designed to save for the future educational expenses of a designated beneficiary. Shares of 529 plans are often sold in different classes with different fee structures. Certain share classes may be significantly less expensive over extended holding periods. These share classes are therefore frequently a more cost-effective choice for 529 plan accounts with younger beneficiaries and longer investment horizons, or accounts that qualify for breakpoint discounts.

The 529 initiative encouraged firms to review their supervisory systems and procedures regarding 529 plan share-class recommendations, self-report potential violations of applicable rules, describe and demonstrate past or future corrective actions, and provide FINRA with a plan to remediate harmed customers.

In a [settlement](#) issued today, [Morgan Stanley Smith Barney LLC](#) agreed to pay approximately \$1.7 million in restitution and interest to customers who incurred excess fees in their 529 plan accounts. FINRA found that the firm's supervisory system was not reasonably designed to supervise 529 plan share-class recommendations executed in certain legacy accounts or transactions made directly with 529 plans. Morgan Stanley's supervisory system for 529 plan recommendations relied on "grids" integrated within its order entry systems to identify an appropriate share-class selection. However, the firm did not integrate the grids with certain legacy account systems until 2016, and it did not have a process to check that the grids were applied to transactions made directly with 529 plans. After its voluntary disclosure to FINRA through the initiative, Morgan Stanley agreed to provide restitution to certain customers who purchased class C shares in accounts with young beneficiaries and long-term time horizons, and to implement additional supervisory controls relating to transactions made directly with 529 plans.

Also in a [settlement](#) issued today, [B. Riley Wealth Management Inc.](#) (BRWM) agreed to pay approximately \$250,000 in restitution and interest to 529 plan customers based on the firm's failure to have a reasonably designed supervisory system relating to its 529 plan business. Among other findings, FINRA found that BRWM did not provide adequate guidance to its registered representatives and supervisors regarding 529 plan share-class recommendations and lacked a system to supervise transactions made directly with 529 plans. After its voluntary disclosure to FINRA through the initiative, BRWM agreed to provide restitution to certain customers who purchased class C shares in accounts with young beneficiaries and long-term time horizons, and to improve its system and procedures.

In settling these matters, neither firm admitted or denied the charges, but each consented to the entry of FINRA's findings. In addition, FINRA recognized Morgan Stanley's and BRWM's extraordinary cooperation with FINRA through their participation in the 529 initiative, and the firms were not fined.

"The purpose of the 529 initiative is to remedy potential supervisory and suitability violations related to 529 plan share-class recommendations, and to return money to harmed investors as quickly and efficiently as possible," said Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement. "We are very pleased with the substantial progress made thus far, are encouraged by the level of cooperation of member firms that self-reported, and expect to resolve the remaining matters in the coming year."

Investors can obtain more information about 529 plans by visiting FINRA's 529 Savings Plans site and can learn about other ways to save for future educational expenses on FINRA's Saving for Education site.

FINRA Orders Worden Capital Management LLC to Pay More than \$1.2 Million in Restitution to Customers Whose Accounts Were Excessively Traded

Firm Also Fined \$350,000 for Failing to Reasonably Supervise Recommended Securities Transactions and Other Violations

FINRA announced that it sanctioned [Worden Capital Management LLC](#) (WCM) more than \$1.5 million, including approximately \$1.2 million in restitution to customers whose accounts were excessively traded by the firm's representatives, and a \$350,000 fine for supervisory and other violations. As part of the settlement, WCM must also retain an independent consultant to conduct a comprehensive review of the relevant portions of the firm's supervisory systems and procedures.

FINRA found that from January 2015 to October 2019, WCM and the firm's owner and CEO, Jamie Worden, failed to establish and enforce a supervisory system reasonably designed to achieve compliance with FINRA's rules relating to excessive trading. As a result, WCM's

registered representatives made unsuitable recommendations and excessively traded customers' accounts, causing customers to incur more than \$1.2 million in commissions. In one instance, a WCM customer whose account was traded for approximately one year had a cost-to-equity ratio (or breakeven point) of more than 100 percent and incurred realized losses of \$118,490, inclusive of the \$205,557 the customer paid in commissions. WCM did not take action to investigate or stop the trading in this customer's account, and others like it, even though WCM received a monthly active account report that routinely flagged dozens of customer accounts indicative of excessive trading.

Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement, said, "FINRA has an unwavering commitment to protect investors from excessive and unsuitable trading. Firms must ensure they establish systems and procedures reasonably designed to supervise representatives' recommendations to their customers, and firms' supervisory personnel must have in place the necessary tools and training to address red flags."

FINRA also found that WCM and Worden interfered with customers' requests to transfer their accounts to another member firm. In addition, as a result of supervisory failures, WCM failed to timely file amendments to registered representatives' Form U4s and Form U5s to disclose the filing or resolution of customer arbitrations.

For Worden's supervisory violation and his interference with customer account transfers, he agreed to a 15-day suspension in all capacities, a three-month supervisory suspension, a \$15,000 fine and must complete 20 hours of continuing education.

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