Disciplinary and Other FINRA Actions

Firms Fined

Goldman Sachs & Co. LLC (CRD® #361, New York, New York)

December 1, 2017 – A Letter of Acceptance, Waiver and Consent (AWC) was issued in which the firm was censured, fined $700,000 and required to submit a certification to FINRA® that its policies, systems, and procedures (including written procedures) and training, in connection with its prime services clearing business, are reasonably designed to achieve compliance with applicable rules in connection with delivery of exchange-traded funds (ETFs) prospectuses. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to deliver numerous ETFs' prospectuses that it intended to deliver due to design flaws in its prospectus-delivery system, which were undetected for over five years. The findings stated that the firm cleared over 100 million ETF purchases for its own customers, primarily institutional market participants, and for customers of over 100 introducing brokers. The firm designed a system to deliver prospectuses for all first-time ETF purchases regardless of the availability of any exemptions from prospectus delivery. However, due to these design flaws, the firm's prospectus delivery system failed to deliver the ETF prospectuses. The firm's prospectus-delivery system was also inadequately tested and the firm failed to discover the issue.

The findings also stated that the firm failed to establish, maintain, and enforce supervisory control policies and procedures that adequately tested and verified that its supervisory procedures concerning ETF prospectus delivery were reasonably designed to achieve compliance with applicable securities laws and regulations. The firm tested its prospectus-delivery system by emailing its third-party vendor, typically on a monthly basis, seeking confirmation for the mailing of prospectuses for a small sample of trades that occurred the prior business day. However, these emails failed to achieve their purpose because the vendor misinterpreted the firm's emails as instructing it only to prospectively send prospectuses for the sampled transactions and confirm delivery of them. While the firm also maintained a daily production log of the number of prospectuses to be delivered, and images of mailing labels for prospectuses to be delivered, it did not compare that data with its vendor's data regarding the prospectuses that were actually mailed. This procedure tested only whether the vendor had mailed certain prospectuses; it did not test the firm's overall prospectus-delivery system. (**FINRA Case #2014042582101**)

Reported for February 2018

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).

Groton Securities LLC (CRD #126600, New York, New York)
December 4, 2017 – An AWC was issued in which the firm was censured and fined $10,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it conducted a securities business while failing to maintain its required minimum net capital. The findings stated that the firm's net capital deficiencies resulted from two accounting errors. As a result of these accounting errors, the firm failed to properly record its liabilities on its books and records, and it filed an innacurate quarterly Financial and Operational Combined Uniform Single (FOCUS) Report.

The findings also stated that during an approximately four-year period, the firm did not conduct a supervisory review of any of the approximately 25,000 emails captured by the firm's third-party electronic storage media provider for five of the firm's registered representatives. During the same period, the firm did not review or retain in the manner required by the Securities Exchange Act of 1934 Rule 17a-4 any of the emails for 11 representatives who were dually employed by the firm's affiliated investment advisory firm. These representatives used an email address provided by the investment advisory firm in order to conduct business for the firm. The findings also included that the firm failed to document that it had evaluated the outside business activities for 12 representatives. Although many of the outside business activities disclosed by the representatives appeared, on their face, to be investment-related, the firm failed to document that it had considered, among other things, the potential conflicts of interest that could be implicated by such outside business activities. FINRA found that the firm failed to test its system of supervisory controls, it failed to prepare an annual report detailing its system of supervisory controls, and it failed to prepare an annual certification of the firm's compliance and supervisory processes for four consecutive years. (**FINRA Case #2016047625701**)

Legend Securities, Inc. (CRD #44952, New York, New York)
December 4, 2017 – An Office of Hearing Officers (OHO) decision became final in which the firm was censured and fined $200,000. The sanctions were based on findings that the firm failed to supervise a registered representative who fraudulently churned the accounts of an elderly and blind customer, resulting in net losses exceeding $170,000. The findings stated that the firm had identified the representative as an individual who should be subject to heightened supervision, however, it failed to prepare such a plan or place him on heightened supervision at any time during the more than three years that he was registered with it. The firm failed to reasonably supervise the representative, which allowed him to engage in quantitatively unsuitable trading and churning in the customer's accounts. The firm also failed to adequately investigate "red flags" demonstrating that the representative was churning the customer's accounts. In addition, the firm failed to investigate adequately, or simply ignored, that the representative engaged in aggressive, "in-and-out" trading—repeatedly purchasing securities and then selling them after relatively short holding periods to purchase other securities—for no apparent reason. The customer was charged a total of $232,626.36 in commissions, ticket charges and other fees.

The findings also stated that firm failed to establish and enforce its Written Supervisory Procedures (WSPs) to ensure that the representative was subject to heightened supervision. (FINRA Case #2015048048801)

Joseph Gunnar & Co. LLC (CRD #24795, New York, New York)
December 5, 2017 – An AWC was issued in which the firm was censured, fined $60,000, and required to review and revise, as necessary, its policies, systems and procedures (written and otherwise), and training relating to the violations addressed 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 WSPs, reasonably designed to detect and prevent unsuitable trading in certain customer accounts of one of the firm's top-producing registered representatives. The findings stated that the representative repeatedly recommended that an elderly customer purchase high-risk, speculative securities that were inconsistent with her investment profile. The representative's recommendations often resulted in an undue concentration of the customer's accounts, which represented substantially all of her liquid assets in speculative securities. Further, the representative often engaged in short-term in-and-out trading of the speculative investments in the customer's accounts, causing losses of more than $150,000. The firm and the representative previously settled an arbitration in which the customer alleged that the representative made unsuitable recommendations.

The firm failed to monitor effectively certain of the representative's customer accounts for potentially unsuitable transactions. The firm's supervisory failure included the failure to establish and maintain policies and procedures reasonably designed to detect and respond to over-concentration in, and short-term in-and-out trading of, speculative securities.

The firm's supervisory system was unreasonable in a number of respects. First, the firm placed the responsibility with the representative's branch manager to ensure, among other things, that the securities transactions he recommended were suitable. The firm did not provide reasonable tools, such as alerts or exception reports, to assist the branch manager in assessing the suitability of the securities transactions the representative recommended. Although the firm eventually put in place a monthly active accounts report, it did not make the report available to the branch manager to assist him in reviewing the representative's trading activity and instead provided the report only to the firm's compliance department. As a result of the firm's failure to provide the branch manager with reasonable tools to assist in his suitability review, it failed to detect a number of red flags that suggested the representative was making unsuitable recommendations in the accounts of certain customers. The firm unreasonably failed to monitor for any of these red flags even though the representative was under heightened supervision during the period. In addition, the firm failed to provide reasonable guidance regarding the steps to take to investigate and respond to red flag warnings that suggested unsuitable trading in customer accounts. As a result, even when the firm identified red flags, it responded by merely sending the customers generic activity letters, which asked them to confirm by signing the letter that they were aware of the trading activity in their accounts.

The findings also stated that the firm's supervisory system was not reasonably designed to ensure that a customer's investment profile would be reevaluated and updated as necessary in the event that he or she became mentally impaired. As a result, even after the firm and the representative learned that one of his customers had been diagnosed with dementia, neither the representative nor anyone else at the firm conducted any analysis to determine whether this material change in the customer's circumstances warranted any changes to his investment profile, including his moderately aggressive risk tolerance. (FINRA Case #2013039507102)

Capital City Securities, LLC (CRD #146001, Columbus, Ohio)
December 6, 2017 – An AWC was issued in which the firm was censured and fined $15,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain, and enforce a reasonable supervisory system designed to ensure the review of its registered representatives' sales of leveraged and inverse exchange-traded funds (non-traditional ETFs). The findings stated that the firm did not have written procedures reasonably tailored to address the unique features and risks associated with non-traditional ETFs. Further, the firm did not have any exception reports or surveillance tools to monitor holding periods for non-traditional ETFs. As a result, many of the firm's customers held non-traditional ETFs for long periods of time despite the increased risk presented when holding these products over longer periods. (FINRA Case #2014039216101)

LBMZ Securities, Inc. (CRD #7874, Chicago, Illinois)
December 6, 2017 – An AWC was issued in which the firm was censured and fined $65,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to maintain and enforce a supervisory system reasonably designed to ensure adequate due diligence was performed on private placement offerings it recommended to its customers. The findings stated that a registered principal who conducted due diligence on two offerings had only recently joined the investment banking group at the firm and had limited investment banking experience or experience in private placements, and he performed little to no independent investigation or analysis to test the validity of the information the issuers provided. The firm approved the offerings despite this lack of reasonable due diligence. Two customers who invested in one offering through the firm were refunded their total investment amount of $50,000 by it. The findings also stated that the firm sent an email concerning one of the private placements to a list of investors compiled by a marketing and advertising company that had contracted with it. The email and a linked PowerPoint presentation contained misleading statements concerning the private offering including representations about the company's past performance and projected future performance, and did not contain any disclosures regarding the speculative, illiquid and risky nature of the investment opportunity. The firm failed to maintain and enforce a supervisory system reasonably designed to ensure compliance with applicable securities laws and regulations pertaining to electronic retail communications. (FINRA Case #2016048230001)

NEXT Financial Group, Inc. (CRD #46214, Houston, Texas)
December 6, 2017 – An AWC was issued in which the firm was censured, fined $750,000 and required to retain an independent consultant to conduct a comprehensive review of the adequacy of its policies, systems and procedures (written and otherwise) and training. 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 implement a supervisory system reasonably designed to detect and address excessively traded accounts. The findings stated that the supervisory failings resulted from an inadequate corrective action taken by the firm in response to prior FINRA disciplinary actions that included a failure to use exception reports or any other reasonably designed system to detect excessive trading. In addition, the firm failed to identify excessive trading due to lack of clarity regarding supervisory responsibilities. Due to flaws in its supervisory system, the firm did not reasonably supervise a registered representative's excessive trading activity. If the firm had instituted reasonably designed procedures to ensure branch audits were completed and findings of excessive trading acted upon, it could have prevented this activity.

The findings also stated that the firm failed to implement a supervisory system and procedures reasonably designed to ensure appropriate suitability determinations in its variable annuity sales, including L-share contracts. The firm failed to establish, maintain and enforce systematic surveillance procedures to identify possible inappropriate rates of variable annuity exchanges. The firm also failed to enforce its existing procedures relating to the suitability review of variable annuity transactions. In addition, the firm did not establish, maintain, and enforce a reasonably designed supervisory system and WSPs related to the sale of multi-share class variable annuities. The firm's WSPs failed to provide representatives and principals with guidance or suitability considerations for sales of different variable annuity share classes. Moreover, the firm failed to establish, maintain, and enforce WSPs or provide sufficient guidance to its representatives and principals on the sale of long-term income riders, such as long-term income riders with L-share contracts. The findings also included that the firm lacked a supervisory system reasonably designed to ensure that information included on consolidated reports provided to customers was accurate. The firm's supervisory system was inadequate and it failed to enforce its own procedures.

FINRA found that the firm failed to have supervisory procedures reasonably designed to detect and monitor for misleading communications on its website. As a result, the firm omitted material facts from its website that caused its communications with the public to be misleading. FINRA also found that the firm failed to establish, maintain, and enforce a system and WSPs reasonably designed to achieve compliance with FINRA rule 2310(c) related to maintaining records of all non-cash compensation received by it or its associated persons. As a result, the firm failed to track and verify non-cash compensation received by its representatives that came in the form of direct sponsorship payments by product issuers to vendors/merchants. Emails of representatives reflected multiple occurrences of product issuers paying vendors/merchants for branch client events directly without the firm's knowledge and approval of the non-cash compensation. (**FINRA Case #2015043319901**)

Tangent Capital Partners, LLC (CRD #146999, New York, New York)
December 6, 2017 – An AWC was issued in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to conduct an independent test of its Anti-Money Laundering (AML) Compliance Program. The findings stated that the firm failed to implement an adequate Customer Identification Program (CIP) in connection with investors who invested in private placements. The firm received transaction-based compensation for its role in the offerings. However, the firm did not verify the customers' identities through either documentary or non-documentary methods. The findings also stated that the firm failed to maintain required books and records in connection with its sales of the private placements. In addition, the firm failed to maintain the account records and customer account information with respect to these investors. (**FINRA Case #2016047638801**)

First Clearing, LLC (CRD #17344, St. Louis, Missouri) nka Wells Fargo Clearing Services, LLC (CRD #19616, St. Louis, Missouri)
December 7, 2017 – An AWC was issued in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it executed short sale orders in over-the-counter (OTC) equity securities and improperly marked the orders as short exempt. The findings stated that the firm executed short sale transactions in OTC equity securities and incorrectly reported the transactions to the OTC Reporting Facility™ (ORF™) with short exempt modifiers. (**FINRA Case #2016049334801**)

MD Global Partners, LLC (CRD #140988, New York, New York)
December 7, 2017 – An AWC was issued in which the firm was censured and fined $5,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it conducted a securities business during a period in which it had less than its required net capital. The findings stated that at the beginning of 2013, the firm was required to maintain minimum net capital of $5,000. When the firm executed its eleventh proprietary transaction for the 2013 calendar year on February 13, 2013, the transaction triggered the requirement that the firm maintain at least $100,000 in net capital; however, the firm had less than $100,000 in net capital at the time, and its net capital remained below $100,000 until June 25, 2013. (**FINRA Case #2014039368501**)

Wells Fargo Securities, LLC (CRD #126292, Charlotte, North Carolina)
December 8, 2017 – 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 accurately report transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible securities to TRACE. The findings stated that the firm reported transactions with a counter-party firm as a customer instead of using

the counter party's Market Participant Identifier (MPID). In addition, the findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with FINRA Rule 6730. The findings also included that the firm failed to report the correct execution time for transactions in TRACE-eligible agency debt securities to TRACE. The firm also failed to report transactions in TRACE-eligible agency debt securities within the time permitted by FINRA Rule 6730.

FINRA found that the firm failed to show the correct execution time on the memoranda of brokerage orders. FINRA also found that firm failed to report new issue offerings in TRACE-eligible asset-backed securities to TRACE according to the time frames set forth in FINRA Rule 6760. (**FINRA Case #2016049241601**)

Wunderlich Securities, Inc. (CRD #2543, Memphis, Tennessee)
December 8, 2017 – An AWC was issued in which the firm was censured and fined $17,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report transactions involving TRACE-eligible securities that were executed between it and an affiliated registered investment advisor. The findings stated that the firm reported the transactions to TRACE between two minutes and six hours late. The findings also stated that the firm failed to maintain adequate WSPs addressing TRACE-reporting requirements applicable to transactions involving "to be announced" mortgage-backed securities. (**FINRA Case #2016047819701**)

ETC Brokerage Services, LLC (CRD #145276, Westlake, Ohio)
December 11, 2017 – An AWC was issued in which the firm was censured, fined $10,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it transmitted 955 reports that contained inaccurate, incomplete, or improperly formatted data to the Order Audit Trail System (OATS™). The findings stated that 907 of the reports contained incorrect order-received timestamps, 41 contained incorrect cancel stamps, and seven of the reports contained both incorrect order-received timestamps and replaced order-received dates. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and FINRA rules, concerning OATS reporting. (**FINRA Case #2016050409801**)

Liberty Partners Financial Services, LLC (CRD #130390, Mt. Pleasant, South Carolina)
December 11, 2017 – An AWC was issued in which the firm was censured and fined $100,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to ensure that its WSPs described how it would identify or address potentially excessive trading, and failed to ensure that the WSPs accurately reflected the methods it employed to supervise for potentially excessive trading. The findings stated that the WSPs failed to identify specific criteria for when the firm

would send active trading paperwork, how often the firm would re-send active trading paperwork, what information the firm would provide to the customers in the paperwork, or any requirement that a principal evidence review of active trading paperwork signed and returned by customers. Although the firm's WSPs referenced the possibility of imposing restrictions on an account to only allow closing transactions (referred to as "buy-blocks"), the WSPs did not provide any detail about when the firm would impose a buy-block, how long a buy-block would remain in place, or what would prompt the removal of a buy-block. Similarly, although the firm would on occasion restrict commissions earned on accounts engaged in potentially excessive trading, the WSPs did not identify any criteria for when or how the firm should do so, or when the restriction should be removed. Moreover, the firm failed to perform supervisory reviews of customer account activity with any regularity. As a result, accounts with potentially excessive trading were at times not reviewed until months after the activity took place, if at all. Even where supervisory reviews identified potentially excessive trading activity, the firm frequently failed to effectively follow up on that activity.

The findings also stated that the firm failed to ensure that its WSPs accurately reflected the methods it employed to supervise potentially excessive options costs. The firm failed to reasonably supervise its registered representatives' options transactions, including the commissions and costs charged in connection with those transactions. The findings also included that the firm on occasion sent active trading paperwork to customers when it identified customer accounts that were potentially engaged in excessive trading. The firm, however, failed to retain copies of all active trading paperwork sent to customers.

FINRA found that the firm made a material change in business operations by engaging in private placement transactions without receiving FINRA's approval. FINRA also found that the firm deposited funds received from investors for the purchase of its owner and parent company's promissory notes into the owner's bank account and not an escrow account. Because the owner received investor funds prior to the contingency being met, and because the owner is an affiliate of the firm, the firm should have taken steps to ensure that the funds the owner received were properly escrowed with an unaffiliated bank acting as the escrow agent. (**FINRA Case #2015043246402**)

Deutsche Bank Securities Inc. (CRD #2525, New York, New York)
December 13, 2017 – An AWC was issued in which the firm was censured, fined $1,100,000, and required to provide a report describing the corrective action that it has completed during the year preceding the action to address the regulatory issues and violations addressed in this action, the ongoing corrective action, including changes to the firm's policies, procedures, systems and employee training that it is in the process of completing, including a copy of any report completed by its independent consultant, and the firm personnel, identified by name and current title, including senior management, business, and compliance personnel, responsible for ensuring compliance with TRACE reporting requirements. Without admitting or denying the findings, the firm consented

to the sanctions and to the entry of findings that its supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and/or FINRA rules concerning the firm's reporting to TRACE.

The findings stated that the firm did not enforce certain of its WSPs because it failed to adequately escalate TRACE reporting deficiencies, including, but not limited to, reporting the incorrect time of execution, late reporting, dealer-mismatch reporting issues, and setting up new issues. In addition, the firm failed to take adequate steps to implement corrective action to remediate TRACE reporting deficiencies. The firm's structure for supervision of TRACE reporting was decentralized and it was unclear which individual(s) were charged with ensuring that the firm's overall TRACE reporting system was functioning in compliance with reporting requirements, and that reporting deficiencies were corrected.

The findings also stated the firm failed to report transactions in TRACE-eligible corporate debt securities, agency debt securities, and securitized products to TRACE within the timeframe required by FINRA Rule 6730. The firm failed to report transactions in TRACE-eligible corporate debt securities to TRACE with the correct contra-party's identifier, and failed to report transactions in TRACE-eligible corporate debt securities to TRACE that it was required to report. The firm failed to report transactions in TRACE-eligible corporate securities to TRACE involving another member that it was required to report, and failed to report transactions in TRACE-eligible corporate securities to TRACE involving a non-member customer that it was required to report. The firm reported the inaccurate trade execution time for transactions in TRACE-eligible corporate debt securities and securitized products to TRACE. The findings also included that the firm failed to report transactions in TRACE-eligible corporate securities to TRACE within 15 minutes of the execution time and failed to report in a timely manner transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730(a).

FINRA found that the firm failed to report S1 transactions in TRACE-eligible corporate debt securities to TRACE within the timeframe required by FINRA Rule 6730, failed to report the correct trade execution time for S1 transactions in TRACE-eligible corporate debt securities to TRACE, and failed to show the correct execution time on brokerage order memoranda. The firm failed to accurately report transactions in TRACE-eligible agency debt securities to TRACE, failed to report transactions in TRACE-eligible agency debt securities to TRACE, and reported transactions in TRACE-eligible agency debt securities to TRACE that it was not required to report. The firm failed to report block S1 transactions in TRACE-eligible agency debt securities to TRACE within the timeframe required by FINRA Rule 6730. FINRA also found that the firm failed to report new issue offerings in TRACE-eligible corporate debt securities, agency debt securities and asset-backed securities to FINRA in accordance with the time frame set forth in FINRA Rule 6760(c). (**FINRA Case #2015044324901**)

KGS-Alpha Capital Markets, L.P. (CRD #151705, New York, New York)
December 13, 2017 – An AWC was issued in which the firm was censured and fined $10,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within the time required by FINRA Rule 6730. (**FINRA Case #2016050973701**)

RNR Securities, L.L.C. (CRD #43689, East Meadow, New York)
December 15, 2017 – An AWC was issued in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that its supervisory system for email review was deficient in that its WSPs did not specify how the firm would conduct reviews of its securities-related emails. The findings stated that the firm's written procedures stated only that a compliance principal would review all emails it received and sent, and that reviews would occur no less than annually. The firm's procedures failed to set forth a methodology to review emails, establish a percentage of emails to be reviewed, or set forth an escalation process for problematic emails. In addition, the firm failed to conduct any supervisory email reviews for eight of its registered representatives, and it failed to document the email reviews that it did conduct. (**FINRA Case #2016047644601**)

Univest Securities, LLC (CRD #36105, New York, New York)
December 15, 2017 – An AWC was issued in which the firm was censured and fined $20,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to develop and implement an AML program reasonably designed to achieve and monitor compliance with the Bank Secrecy Act and its implementing regulations. The findings stated that the firm failed to identify, investigate, and respond to red flags of potentially suspicious activities involving the deposit and liquidation of millions of shares of low-priced securities. The firm accepted several new customers, many of whom were located in a foreign jurisdiction that are considered to present heightened AML risks, whose account activity included depositing and liquidating low-priced securities. These customers collectively sold more than 14 million shares of low-priced stocks, generating proceeds of over $37 million, and their trading presented numerous red flags of potentially suspicious activity. The firm's system for detecting and investigating the red flags related to the low-priced stock activities of its customers was unreasonable. The firm failed to detect any of its customers' activities as potentially suspicious notwithstanding the existence of red flags such as the liquidation of millions of shares of low-priced stocks followed by the wiring out of the proceeds.

In addition, the firm did not sufficiently tailor its AML program to a low-priced stock liquidation business and the associated regulatory risks. In particular, the firm's system for reviewing for potentially suspicious trading consisted primarily of its manual review of daily trade blotters. Given the volume and nature of the low-priced stock transactions being conducted, this review was not reasonably designed to detect patterns of potentially suspicious activity that might occur over the course of days, weeks, or months and over several accounts. (**FINRA Case #2014039343301**)

LPS Capital LLC (CRD #155246, New York, New York)
December 19, 2017 – An AWC was issued in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the correct trade execution time for transactions in TRACE-eligible securities to TRACE. The findings stated that the firm failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. The findings also stated that the firm failed to report timely transactions in TRACE-eligible corporate debt securities to TRACE within the time required. (**FINRA Case #2016050784901**)

UBS Securities LLC (CRD #7654, New York, New York)
December 19, 2017 – 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 report corporate debt transactions in TRACE-eligible securities to TRACE within the time required. The findings stated that the firm failed to report the correct trade execution time for transactions in TRACE-eligible agency-debt securities to TRACE, and failed to report some of those transactions to TRACE within the time required. The findings also stated that the firm failed to show the correct execution time on the memoranda of brokerage orders. The findings also included that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning TRACE reporting accuracies involving execution time. (**FINRA Case #2016050038001**)

FSC Securities Corporation (CRD #7461, Atlanta, Georgia)
December 20, 2017 – An AWC was issued in which the firm was censured, fined $100,000, and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total $414,261 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $380,520 for mutual fund purchases made since January 1, 2011. (**FINRA #2017054137901**)

Royal Alliance Associates, Inc. (CRD #23131, Jersey City, New Jersey)
December 20, 2017 – An AWC was issued in which the firm was censured, fined $150,000, and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total $519,699 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $458,830 for mutual fund purchases made since January 1, 2011. (**FINRA #2016049977701**)

SagePoint Financial, Inc. (CRD #133763, Phoenix, Arizona)
December 20, 2017 – An AWC was issued in which the firm was censured, fined $75,000, and required to provide FINRA with a plan to remediate eligible customers who qualified

for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total $196,372 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $170,361 for mutual fund purchases made since January 1, 2011. (**FINRA #2017054229301**)

Woodbury Financial Services, Inc. (CRD #421, Oakdale, Minnesota)
December 20, 2017 – An AWC was issued in which the firm was censured, fined $75,000, and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total $128,583 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $114,063 for mutual fund purchases made since January 1, 2011. (**FINRA #2016049976501**)

CG Compass (USA) LLC (CRD #129837, New York, New York)
December 21, 2017 – An AWC was issued in which the firm was censured, fined $75,000, and required to submit a certification that its policies, systems and procedures, and training are reasonably designed with respect to the firm's compliance with FINRA Rule 3310, and the requirements of the Bank Secrecy Act and the regulations promulgated thereunder, including, but not limited to, those related to monitoring for, identifying, investigating, and responding to red flags of suspicious transactions in general, and specifically with respect to wire transfers to and from customer accounts. 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 an AML program that was reasonably designed to achieve and monitor its compliance with requirements of the Bank Secrecy Act and the implementing regulations thereunder. The findings stated that the firm's written AML procedures were not reasonable because they did not take into account the specific AML risks arising from the firm's business model. The firm serviced a customer base that included customers based in jurisdictions that are considered to present heightened AML risks. Although the firm permitted customers to wire funds into and out of their accounts, including by third-party wires, its procedures did not set forth steps to be taken to review and investigate wire transfers prior to approval. The firm's written AML procedures did not specify how the firm intended to monitor, detect and investigate for red flags of suspicious activity, and they did not list reports and documents that the firm intended to rely upon, the systems by which it would conduct reviews, the frequency of any reviews and how reviews would be documented.

The firm did not implement a system reasonably tailored to its business model that could reasonably have been expected to detect and cause the reporting of, as well as the investigation of and follow up on, red flags of suspicious activity arising from wire transfer transactions. . The firm did not use any exception reports in its review of wire transfers and did not timely detect, investigate and follow-up on red flags of suspicious activity arising from certain wire transfers The firm approved wire transfers based on brief descriptions as to the purpose of the wires provided by customers, and did not investigate and obtain documentation concerning the source, destination, recipients and/or business purpose for the wires. The firm did not take reasonable steps to investigate red flags in connection with these potentially suspicious wire transactions until prompted by inquires made by its clearing firm. As a result, the firm did not adequately consider or inquire into the risks presented by the wire transfers.

The findings also stated that the firm failed to conduct independent testing of its AML program for four calendar years. The findings also included that the firm failed to conduct periodic reviews of account activity for correspondent accounts with respect to six foreign financial institutions.

FINRA found that the firm failed to check the names of persons and entities on the Financial Crimes Enforcement Network's (FinCEN) lists against its customer base and those with whom it engaged in any transaction for a total of 82 bi-weekly periods, and for 11 bi-weekly periods the firm failed to conduct searches in a timely manner. FINRA also found that the firm did not have in place written supervisory control procedures reasonably designed to review and monitor its activities with respect to electronic fund transfers. The firm also did not have any written procedures to either validate information on wire requests prior to approving the requests or outline how the firm intended to monitor for potentially fraudulent wire transfers to third parties from customer accounts. In addition, FINRA determined that the firm failed to maintain evidence of principal review of its electronic correspondence. (**FINRA Case #2013038311501**)

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York)
December 21, 2017 – An AWC was issued in which the firm was censured and fined $13,000,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that the firm's implementation of certain systems and procedures that comprise its AML program related to retail brokerage accounts suffered from numerous deficiencies. The findings stated that the firm used an automated monitoring system called Mantas as a central part of its AML program to monitor for potentially suspicious activity in firm brokerage accounts. In approximately October 2010, the firm connected Mantas to an enterprisewide, proprietary system called "Event Processor" for a company of which the firm was a subsidiary. Thereafter, Mantas generated events related to potentially suspicious activities and fed these events into Event Processor, and Event Processor grouped Mantas events with other events generated by other monitoring systems into "Event Groups." Each Event Group was scored based on the AML risk posed by the events or customer types identified; if the total score for an Event Group reached a certain risk-based threshold, the firm opened an investigation of the potentially suspicious activity. For a four-month period, the firm did not investigate suspicious activity detected only by Mantas. By 2011, the firm believed that system was producing too many "false positives," and determined to change how the system generated and scored Mantas events and investigated potentially suspicious activity. In September 2011, the firm decided to not investigate Event Groups generated only from Mantas events while it implemented the changes. The firm did not start reviewing such Event Groups until February 2012. The firm also decided not to review hundreds of Mantas alerts that had been generated by the automated surveillance system since May 2011 but not reviewed prior to September 2011, and certain alerts in firm accounts that occurred from September 2011 to January 2012. As a result of these decisions, the firm failed to investigate 1,015 instances of potentially suspicious activity at that time. The firm only reviewed these events in 2014, after the investigation that led to this settlement had begun.

The findings also stated that how the firm scored certain events in its automated surveillance system minimized potentially suspicious activity or prevented such activity from being reviewed. For example, based on flawed analysis, the firm determined to score multiple occurrences of potentially suspicious money movements involving high-risk counterparties and entities once. Until 2015, it did not link related accounts for some of the firm's highest-risk customers, and did not consistently identify or monitor customers in certain high-risk jurisdictions or senior foreign political figures who were opening or conducting transactions through firm accounts. The findings also included that prior to May 2015, the firm excluded millions of accounts from its automated monitoring system, and therefore failed adequately to monitor the accounts for potentially suspicious activity. These accounts included retirement accounts, certain securities-based loan accounts and the accounts pledged to them, and certain managed accounts whose investments were not controlled by the beneficial owner. As a result of each of these deficiencies, the firm failed to have systems and procedures reasonably designed to monitor for, detect and report suspicious activity.

FINRA found that the firm failed to implement adequate systems and procedures as part of its AML program, and as a result it failed to detect and investigate potentially suspicious activity. Due in large part to the deficiencies in the operation of the AML monitoring systems for retail brokerage accounts, the firm failed to detect or investigate certain potentially suspicious activity in retail brokerage accounts maintained for non-resident aliens at "international" and non-resident client branches near the U.S.-Mexico border, specifically branches in Texas and California, as well as a branch in New York City that primarily serviced accounts for non-U.S. citizens domiciled outside the United States. The firm also failed to adequately investigate potentially suspicious activity involving customers in the firm's Miami branch who were taking out loans from firm affiliates, including one in the Cayman Islands. (**FINRA Case #2012035224301**)

TerraNova Capital Equities, Inc. (CRD #45097, New York, New York)
December 21, 2017 – 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 while acting as a placement agent for a best-efforts minimum/maximum contingency offering of an issuer, it failed to return investor funds when the issuer lowered the minimum amount for the offering in willful violation of Section 10(b) of the Securities and Exchange Act of 1934, SEC Rule 10b-9 and FINRA Rule 2010. The findings stated that the firm acted as a placement agent for an offering, and as set forth in the October 1, 2014, term sheet, the units were offered to investors on a best-efforts basis with a minimum contingency of $2 million and a maximum contingency of $4 million, to be raised by October 1, 2015. During the offering, two individuals associated with the firm were also co-chairmen of the issuer. The firm sold the first units to investors on January 2, 2015, and thereafter sold additional units to 14 investors including $150,000 of non bona-fide sales to the two individuals. On June 29, 2015, the issuer made a material change to the terms of the offering when it reduced the minimum contingency amount from $2 million to $1.5 million. The firm did not terminate the offering or return funds

to the existing investors as required. Instead, the firm issued letters to the existing investors disclosing the change and requested they return a signed affirmation—agreeing to continue their investment—which each investor did. On July 13, 2015, an additional investor subscribed to the offering, bringing the total amount raised to $1,524,700. Despite the improper inclusion of the non bona-fide sales, the firm informed the escrow agent that the minimum contingency was met and instructed the agent to release the funds to the issuer. Ultimately, the offering raised over $1.5 million from bona-fide sales. In addition, although the first units of the offering were sold on January 2, 2015, the firm did not timely file any offering documents with FINRA within 15 days of that sale. Instead, the firm filed the offering documents more than six months after the offering's first closing date. (**FINRA Case #2015047958301**)

Westpark Capital, Inc. (CRD #39914, Los Angeles, California)
December 22, 2017 – An AWC was issued in which the firm was censured and fined $27,500. 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 system of supervision reasonably designed to supervise its business in Collateralized Mortgage Obligations (CMOs). The findings stated that the firm's WSPs did not address CMO suitability, risk factors, recommendations or supervision, and therefore provided insufficient guidance. The firm's WSPs also failed to adequately specify that educational materials must be offered to customers prior to the purchase of CMOs. Consequently, the firm's system of supervision, including its WSPs, was not reasonably designed to achieve compliance with the applicable securities laws, regulations and rules governing this line of the firm's business. In addition, the firm's supervision and compliance staff had a limited and insufficient overall understanding of CMOs.

The findings also stated that the firm failed to adequately implement its written procedures. The firm should have evaluated CMOs prior to any recommendations or sales, yet it did not conduct any review or analysis of CMOs prior to permitting its representatives to sell CMOs that addressed the criteria and considerations identified in its WSPs. The firm also did not take any steps to ensure product knowledge or offer training to firm representatives and supervisors on CMOs, or to increase scrutiny of the suitability of such products, as outlined in its WSPs. As a result, the firm failed to follow its own written procedures concerning the approval and supervision of complex products in connection with its sales of CMOs. In addition, the firm's prescribed heightened supervision of the representative selling CMOs was limited to generic topics, which were frequently dismissed by it as inapplicable. This approach was unreasonable, particularly given concerns identified regarding the activity of theselling representative. The findings also included that the firm failed to offer CMO educational materials to retail investors prior to their first CMO purchases made. The firm did not have adequate WSPs in place that made clear this requirement or designated responsibility for ensuring the offering of such materials. Consequently, the firm took inadequate steps to ensure that such materials were offered. Instead, the customers who purchased CMOs were sent materials, only after their first purchases, by the firm's clearing firm. (**FINRA Case #2016051690101**)

Davenport & Company LLC (CRD #1588, Richmond, Virginia)
December 27, 2017 – An AWC was issued in which the firm was censured and fined $115,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to supervise registered representatives' use of consolidated reports. The findings stated that prior to June 30, 2015, the firm prohibited its registered representatives from creating consolidated reports. However, the firm failed to implement any procedures or controls to enforce this prohibition. As a result, nearly 700 consolidated reports were prepared by representatives and shared with customers while this prohibition was in effect. On June 30, 2015, the firm updated its WSPs to permit the creation and use of consolidated reports. The new procedures permitted representatives to manually enter asset values for assets held away from the firm and required that representatives include a disclosure statement on all consolidated reports. These procedures were not consistently enforced. In addition, in numerous instances, representatives failed to maintain the back-up documentation used to create the consolidated reports in a separate file, as required, and there was no evidence of supervisory review. Further, many of these reports contained erroneous asset values for assets held away from the firm.

The findings also stated that the firm failed to establish a system of risk management controls and supervisory procedures for two alternative trading systems (ATSs) for municipal securities transactions. The firm used the ATSs to execute municipal bond transactions and provided its traders with direct access to these ATSs. The firm used one ATS to execute municipal bond transactions for institutional clients and primarily used the other ATS to execute municipal bond transactions for retail clients. The firm did not establish, document, or maintain a reasonable system to prevent trades that exceeded capital and credit limits prior to trade execution through the ATSs. For one ATS, the firm established post-trade alerts to firm management that would be triggered if a capital or credit limit was exceeded. However, those alerts did not prevent trades that exceeded capital and credit limits on a pre-trade basis. In addition, the firm did not establish reasonable controls to prevent duplicative orders through the ATSs, on a pre-trade basis. Further, for the other ATS, the firm did not establish reasonable controls to prevent the execution of erroneous orders that exceeded appropriate price parameters. (**FINRA Case #2016051515201**)

Elkhorn Securities, LLC (CRD #168905, Wheaton, Illinois)
December 27, 2017 – An AWC was issued in which the firm was censured and fined $5,000. A lower fine was imposed after considering, among other things, the firm's revenue and financial resources. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it conducted a securities business while operating below its required minimum net capital of $100,000. The findings stated that the deficiencies resulted primarily from the firm's failure to timely obtain funding from its parent company after incurring certain losses. (**FINRA Case #2016052032501**)

Jefferies LLC (CRD #2347, New York, New York)
December 27, 2017 – An AWC was issued in which the firm was censured and fined $37,500. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to timely report TRACE-eligible corporate securities transactions to TRACE. The findings stated that the firm failed to provide evidence that it enforced certain aspects of its WSPs concerning the timeliness of trade reports submitted to TRACE. The firm did not review the TRACE reporting statistics for its MPID during the review period, and it also failed to provide any evidence of corrective actions taken to remediate its pattern of late trade reporting to TRACE. (**FINRA Case #2016048836101**)

Brighton Securities Corp. (CRD #3875, Rochester, New York)
December 28, 2017 – An AWC was issued in which the firm was censured, fined $50,000 and ordered to pay $19,453.11, plus interest, in restitution to customers. The firm previously provided partial remediation to these customers in the total amount of $10,801.42. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise the sales practices of a registered representative who engaged in a pattern of unsuitable short-term trading of Class A mutual fund shares in six customer accounts. The findings stated that the representative frequently recommended the purchase and subsequent sale of Class A shares within a year of purchase. On average, the customers held the Class A mutual funds at issue for less than four months. As a result of these short-term trades, five of the six customers suffered collectively losses of approximately $30,254. The firm failed to have a reasonable supervisory system to detect unsuitable short-term trading or switching of Class A mutual fund shares. The firm did not have any exception reports specific to Class A mutual fund shares, and did not have an automated method of monitoring Class A mutual fund holding periods. Nor did the firm impose any limitations on trading or holding Class A mutual funds. Nevertheless, the firm was aware of red flags concerning the representative and her trading activities. The firm placed the representative on heightened supervision five separate times. In addition, on several occasions, the firm's supervisory personnel raised concerns regarding the "frequency" and "velocity" of the representative's trading, and many of her short-term mutual fund trades occurred in the accounts of customers who were elderly and/or who had long-term investment objectives and conservative risk tolerances. The firm failed to respond appropriately to these warning signs, or otherwise take steps to prevent the representative's unsuitable trading. (**FINRA Case #2015046536701**)

Firms Sanctioned

BB&T Investment Services, Inc. (CRD #33856, Charlotte, North Carolina)
December 5, 2017 – An AWC was issued in which the firm was censured and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the

firm has paid restitution to eligible customers, which is estimated to total $373,134 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $331,983 for mutual fund purchases made since July 1, 2009. (**FINRA Case #2016051183701**)

Investacorp, Inc. (CRD #7684, Miami, Florida)
December 6, 2017 – An AWC was issued in which the firm was censured and required to provide to FINRA a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total $247,886 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $215,092 for mutual fund purchases made since July 1, 2009. (FINRA Case #2015047977401)

Investors Capital Corp. (CRD #30613, Lynnfield, Massachusetts)
December 7, 2017 – An AWC was issued in which the firm was censured and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total approximately $437,674 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $376,998 for mutual fund purchases made since July 1, 2009. (FINRA Case #2016050259601)

J.P. Turner & Company, L.L.C. (CRD #43177, Atlanta, Georgia)
December 7, 2017 – An AWC was issued in which the firm was censured and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total approximately $213,137 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead

sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharge by approximately $176,147 for mutual fund purchases made since July 1, 2009. (**FINRA Case #2016050260101**)

VSR Financial Services, Inc. (CRD #14503, Overland Park, Kansas)
December 7, 2017 – An AWC was issued in which the firm was censured and required to provide FINRA with a plan to remediate eligible customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. As part of this settlement, the firm agrees to pay restitution to eligible customers, which is estimated to total approximately $47,801 (the amount eligible customers were overcharged, inclusive of interest). Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were instead sold Class A shares with a front-end sales charge, or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. These sales disadvantaged eligible customers by causing the customers to pay higher fees than they were actually required to pay.

The findings also stated that the firm failed to reasonably supervise the application of sales-charge waivers to eligible mutual fund sales. The firm relied on its financial advisors to determine the applicability of sales-charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination. In addition, the firm failed to adequately notify and train its financial advisors regarding the availability of mutual fund sales-charge waivers for eligible customers. The firm also failed to adopt adequate controls to detect instances in which they did not provide sales-charge waivers to eligible customers in connection with their mutual fund purchases. As a result of the firm's failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately $39,505 for mutual fund purchases made since July 1, 2009. (**FINRA Case #2016050260201**)

Individuals Barred

Jermaine Doral Joseph (CRD #6056737, Miami Gardens, Florida)
December 1, 2017 – An AWC was issued in which Joseph was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Joseph consented to the sanction and to the entry of findings that he served as a personal representative in two wills executed by a customer, and served as a representative payee for a non-customer with the Social Security Administration, contrary to his member firm's policy and without notice to or permission from it. The findings stated that Joseph comingled the customer's funds when he deposited a $30,000 check from the customer for an investment into an account he was using as his personal checking account and which contained his own funds. Although the customer knew of and consented to the deposit, commingling customer funds with personal funds violated FINRA Rule 2010.

The findings also stated that Joseph made false statements to the firm in connection with its investigation of his relationship with the customer. Joseph falsely denied serving as the customer's executor or personal representative, and falsely said that none of the check she gave him had been spent. The findings also included that Joseph failed to disclose the existence of an outside securities account he opened at another firm and in which he traded. FINRA found that Joseph submitted a false compliance attestation to the firm in which he attested that he had not opened any outside securities accounts. (**FINRA Case #2016050028401**)

Kenneth Stewart Tyrrell (CRD #2457452, Vienna, Virginia)
December 8, 2017 – An AWC was issued in which Tyrrell was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Tyrrell consented to the sanction and to the entry of findings that he participated in undisclosed private securities transactions without providing prior written notice to his member firm. The findings stated that Tyrrell participated in private securities transactions totaling more than $13 million with a customer involving the customer's investment in private equity and debt securities in companies in a variety of industries as part of the customer's overall financial plan. Although Tyrrell was not compensated for these transactions, he participated in them by, among other things, referring investments to the customer, conducting due diligence and relaying his views on the transactions at the customer's request, helping the customer establish certain holding companies to make the investments, and facilitating transfers of funds from the customer's firm accounts to the companies. The findings also stated that Tyrrell engaged in outside business activities without providing prior written notice to his firm. All of the outside business activities involved the same customer mentioned above, and three of the activities involved Tyrrell, at the customer's request, serving as an officer of the holding companies the customer used to make his outside investments. A fourth was a company Tyrrell co-founded in which the customer invested. The fifth was a concierge services company owned by Tyrrell's spouse

with which Tyrrell was also involved. It was formed in part to provide personal services to Tyrrell's customer. Between June 2013 and June 2016, Tyrrell caused approximately $498,000 to be transferred from the customer's firm accounts to the concierge services company to pay for goods and services on the customer's behalf. In June 2016, the customer raised questions about the concierge services company. Thereafter, Tyrrell performed an audit of the concierge company's expenditures and returned approximately $130,000 to the customer's firm accounts, consisting of the balance of the customer's unspent funds held in the concierge service company's bank account, and repayment of certain operating expenses the concierge services company had charged to the customer. The findings also included that Tyrrell provided his firm with compliance questionnaires that failed to disclose his participation in the private securities transactions and outside business activities. (**FINRA Case #2016051259501**)

Charles Henry Frieda (CRD #5502319, Anaheim, California)
December 11, 2017 – An AWC was issued in which Frieda was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Frieda consented to the sanction and to the entry of findings that he recommended an investment strategy that was unsuitable for certain retail customers by recommending an over-concentration in energy-sector securities, some of which were speculative, resulting in significant customer losses. The findings stated that due to the speculative nature of the recommended securities, the volatility of the energy market and the high level of concentration, this strategy exposed customers to significant potential losses. In many instances, Frieda failed to properly consider and failed to obtain accurate customer investment profile information to determine the suitability of his over-concentration strategy and the securities he recommended as part of that strategy. In this regard, Frieda recommended the strategy to customers without proper consideration of each customer's individual investment experience, risk tolerance, investment time horizon, net worth, liquidity needs and income. Consequently, Frieda did not properly assess the significant potential risks associated with his recommended strategy for each of these customers. In certain instances, the potential risks were compounded because the over-concentration in speculative energy-sector securities exceeded 50 percent of the customer's net worth (exclusive of personal residence). In 2015, when the energy market began a downturn, Frieda unsuitably recommended that certain of his over-concentrated customers adhere to his strategy without regard to their particular situations or ability to continue to sustain losses. By following Frieda's recommendation, the customers suffered millions of dollars in aggregate losses. (**FINRA Case #2015045713302**)

Charles Bernard Lynch Jr. (CRD #3004877, Corona, California)
December 11, 2017 – An AWC was issued in which Lynch was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Lynch consented to the sanction and to the entry of findings that he recommended an investment strategy that was unsuitable for certain retail customers by recommending

an over-concentration in energy-sector securities, some of which were speculative, resulting in significant customer losses. The findings stated that due to the speculative nature of the recommended securities, the volatility of the energy market and the high level of concentration, this strategy exposed customers to significant potential losses. In many instances, Lynch failed to properly consider and failed to obtain accurate customer investment profile information to determine the suitability of his over-concentration strategy and the securities he recommended as part of that strategy. In this regard, Lynch recommended the strategy to customers without proper consideration of each customer's individual investment experience, risk tolerance, investment time horizon, net worth, liquidity needs and income. Consequently, Lynch did not properly assess the significant potential risks associated with his recommended strategy for each of these customers. In certain instances, the potential risks were compounded because the over-concentration in speculative energy-sector securities exceeded 50 percent of the customer's net worth (exclusive of personal residence). In 2015, when the energy market began a downturn, Lynch unsuitably recommended that certain of his over-concentrated customers adhere to his strategy without regard to their particular situations or ability to continue to sustain losses. By following Lynch's recommendation, the customers suffered millions of dollars in aggregate losses. (**FINRA Case #2015045713301**)

JoeAnn Mitchell Walker (CRD #2210194, Bridgewater, Massachusetts)
December 12, 2017 – An AWC was issued in which Walker was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Walker consented to the sanction and to the entry of findings that she refused to respond completely to FINRA's request for financial records and other documents in connection with an inquiry into the unsuitable sales of variable annuities to her customer. (**FINRA Case #2016049354501**)

Vladimir Tingue (CRD #6332903, Brooklyn, New York)
December 13, 2017 – An OHO decision became final in which Tingue was barred from association with any FINRA member in all capacities and ordered to pay $120, plus prejudgment interest, in disgorgement. The sanctions were based on findings that Tingue converted a customer's money using an unauthorized Automated Teller Machine (ATM) card he secretly created. The findings stated that as a relationship banker, Tingue had access to the customers' personal and account information through an internal computer system. Tingue used his user identification to log into the customer's account, cancelled the customer's ATM card, and then issued a new card for himself. Three days later, Tingue used the unauthorized ATM card or caused it to be used to withdraw $120 from the customer's account without the customer's permission. (**FINRA Case #2015045951303**)

Brian Michael Travers (CRD #4767891, Kings Park, New York)
December 13, 2017 – An AWC was issued in which Travers was barred from association with any FINRA member in all capacities. Without admitting or denying the findings Travers

consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony in connection with an investigation into, among other things, potential undisclosed outside business activities and private securities transactions while he was associated with his member firm. (**FINRA Case #2016051017101**)

Leslie Rhodes Koonce (CRD #1131758, Menlo Park, California)
December 14, 2017 – An AWC was issued in which Koonce was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Koonce consented to the sanction and to the entry of findings that he participated in several private securities transactions without providing prior written notice to his member firm. The findings stated that among other things, Koonce solicited at least 30 prospective investors (including several firm customers) to invest in convertible promissory notes being offered by a private company, sent the prospective investors information about the private company from his firm email account, took part in arranging meetings where prospective investors could meet with representatives of the private company to obtain additional information, facilitated the movement of funds for three firm customers so they could make investments in the convertible promissory notes aggregating $175,000, and he ultimately invested $50,000 of his own money in the convertible promissory notes. Separately, Koonce personally invested $50,000 to purchase shares of stock in a second private company. The findings also stated that Koonce completed firm compliance questionnaires in which he falsely denied participating in private securities transactions during the months since completing his previous questionnaire. The findings also included that Koonce provided false responses to FINRA requests for information during its investigation of this matter. (**FINRA Case #2015048088401**)

Zhengquan Zhang (CRD #5775459, Santa Clara, California)
December 18, 2017 – An AWC was issued in which Zhang was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Zhang consented to the sanction and to the entry of findings that he refused to appear and provide FINRA on-the-record testimony in connection with an investigation into allegations of misconduct by him while associated with his member firm. The findings stated that these allegations included that Zhang downloaded to his personal computer proprietary and confidential information belonging to the firm without its knowledge or approval, and accessed other firm employees' emails without their authorization. (**FINRA Case #2017054105501**)

Kim D. Le (CRD #2747176, Huntington Beach, California)
December 19, 2017 – An AWC was issued in which Le was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Le consented to the sanction and to the entry of findings that she refused to appear for FINRA on-the-record testimony in connection with its review of allegations reported on a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by her member firm that she failed to disclose an outside business activity. (**FINRA Case #2016050589901**)

Neil S. Fineman (CRD #2225170, Las Vegas, Nevada)
December 20, 2017 – An AWC was issued in which Fineman was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Fineman consented to the sanction and to the entry of findings that while registered with three member firms, he engaged in private securities transactions by selling away at least $2.5 million worth of shares in a company and its subsidiaries and predecessor companies (collectively, the company), without providing prior written notice to each of his respective firms. The findings stated that Fineman participated in the sales by soliciting investments from investors, including firm customers; facilitating the investments by accepting and depositing investment checks; receiving commissions for the sales; hiring a consultant to draft a Private Placement Memorandum; and communicating with existing investors regarding their investments. The findings also stated that FINRA sent Fineman several requests for documents and information regarding his involvement in outside business activities and his participation in private securities transactions. In Fineman's responses to those requests, he failed to provide certain documents and information, and included misleading and inaccurate information regarding his role in the company, as well as his participation in private securities transactions. (**FINRA Case #2016050054501**)

Jed Edward Tinder (CRD #1013144, Oshkosh, Wisconsin)
December 22, 2017 – An AWC was issued in which Tinder was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Tinder consented to the sanction and to the entry of findings that he refused to provide information and documents requested by FINRA during the course of an ongoing examination into whether he conducted outside business activities, participated in private securities transactions, engaged in sales practice violations, or otherwise acted in violation of NASD or FINRA rules or federal securities laws while he was registered with a member firm. (**FINRA Case #2017054713901**)

Eddie Basora Jr. (CRD #4388378, Orlando, Florida)
December 26, 2017 – An OHO decision became final in which Basora was barred from association with any FINRA member in all capacities. The sanctions were based on findings that Basora willfully failed to timely amend and update his Uniform Application for Securities Industry Registration or Transfer (Form U4) to disclose a felony charge and nolo contendere plea, and failed to appear on three occasions for FINRA on-the-record testimony as part of an investigation into his disclosure deficiencies on his Form U4 and the accuracy of his Form U4 answers. (**FINRA Case #2014040809501**)

Hank Mark Werner (CRD #1615495, Northport, New York)
December 26, 2017 – An OHO decision became final in which Werner was fined $80,000; barred from association with any FINRA member in all capacities; ordered to pay $155,393.61, plus prejudgment interest, in restitution to a customer; and ordered to disgorge $10,030, plus prejudgment interest. The sanctions were based on findings that Werner willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Exchange

Act Rule 10b-5, and violated FINRA Rule 2020 by churning and excessively trading three accounts belonging to a customer who was elderly, blind and in poor health. The findings stated that Werner's trading caused the customer to lose more than $175,000. Werner knew that his trading was costing the customer a large amount of money, yet he persisted in excessively trading her accounts and charging her unreasonable commissions. Within three years, even after taking into account the customer's withdrawals, Werner depleted the customer's two Individual Retirement Accounts (IRA). This led Werner to have the customer open a third brokerage account funded with a variable annuity withdrawal so that he could continue to trade. The $210,586 in commissions Werner received over three years was an important source of income that helped him pay his substantial tax liabilities and living expenses. The level of trading Werner engaged in, combined with the inappropriate commissions he charged, made it unreasonable for him to expect that he could earn a profit in the customer's accounts, as he claimed. Werner engaged in aggressive, in-and-out trading—repeatedly purchasing securities and then selling them after relatively short holding periods to purchase other securities—for no apparent reason. Such in-and-out trading is a hallmark of excessive trading and churning.

The findings also stated that Werner made an unsuitable recommendation that the customer surrender an existing variable annuity to purchase another, without having a reasonable basis to believe that the transaction was suitable. In this case, replacing the variable annuity with another caused the customer to incur additional expenses and fees and a new surrender period. The new product offered her no features that were better than the variable annuity that she owned. (**FINRA Case #2015048048801**)

John M. James (CRD #4609872, Long Lake, Minnesota)
December 27, 2017 – An AWC was issued in which James was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, James consented to the sanction and to the entry of findings that he refused to appear for FINRA on-the-record testimony related to a Form U5 filed by his member firm reporting that he resigned while under internal review for engaging in undisclosed outside business activity, private investments, and borrowing money from clients. (**FINRA Case #2016049378901**)

Tyrone Y. Pang (CRD #5406519, Oakland, California)
December 28, 2017 – An AWC was issued in which Pang was barred from association with any FINRA member in all capacities. Without admitting or denying the findings, Pang consented to the sanction and to the entry of findings that he refused to appear for a FINRA on-the-record testimony in connection with an investigation into allegations regarding his improper use of customer insurance premium payments. (**FINRA Case #2017053966001**)

Individuals Suspended

Joseph Abbate (CRD #2581698, Garden City, New York)
December 1, 2017 – An AWC was issued in which Abbate was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 20 business days. Without admitting or denying the findings, Abbate consented to the sanctions and to the entry of findings that he placed approximately 100 securities transactions in five customers' accounts without first communicating with the customers about each transaction. The findings stated that although the customers had given Abbate oral permission to use discretion in their accounts, he did not receive prior written authorization from the customers to use discretion, and his member firm had not accepted the accounts as discretionary.

The suspension was in effect from December 4, 2017, through January 2, 2018. (**FINRA Case #2016051173901**)

Nolan Dudley Baird Jr. (CRD #1654510, North Augusta, South Carolina)
December 1, 2017 – An AWC was issued in which Baird was fined $7,500 and suspended from association with any FINRA member in all capacities for 15 business days. Without admitting or denying the findings, Baird consented to the sanctions and to the entry of findings that he improperly used discretion to place trades in a customer's account. The findings stated that although the customer had given Baird verbal permission to use discretion in the account, he did not receive written authorization to use discretion from the customer, and his member firm had not accepted the customer's account as discretionary.

The suspension was in effect from January 2, 2018, through January 23, 2018. (**FINRA Case #2017053155601**)

Peter Louis Pavlina (CRD #4779236, Boston, Massachusetts)
December 1, 2017 – An AWC was issued in which Pavlina was fined $10,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Pavlina consented to the sanctions and to the entry of findings that in response to FINRA's request for a copy of the 2015 AML test for his member firm, Pavlina, who was the firm's managing principal and who had temporarily assumed the responsibilities as the firm's CCO, created a document that purported to summarize the test on or about April 21, 2017. The findings stated that the document was signed and dated December 27, 2015, and it claimed that Pavlina had tested the firm's AML program from December 1 through December 31, 2015. Although the firm did not hold client assets and Pavlina regularly reviewed the firm's bank statements and cash flows, he did not conduct any independent compliance testing of the firm's AML program in 2015.

The suspension is in effect from December 18, 2017, through February 17, 2018. (**FINRA Case #2017054231001**)

Brenton Louis Bataille (CRD #2070777, Englewood, Colorado)
December 4, 2017 – An AWC was issued in which Bataille was fined $5,000, suspended from association with any FINRA member in all capacities for 10 business days, and required to pay $2,200, plus interest, in disgorgement of commissions received. Without admitting or denying the findings, Bataille consented to the sanctions and to the entry of findings that he recommended the purchases of convertible notes without a reasonable basis to conclude they were suitable for any investor. The findings stated that at the time Bataille recommended and sold the notes, he had performed very minimal due diligence and did not know whether information provided by the issuer was accurate. Bataille also recommended and sold the investment while his member firm's due diligence was ongoing. Bataille recommended and sold $50,000 of the notes to a customer of the firm, who was an accredited investor. For this investment, Bataille received $2,200.

The suspension was in effect from January 2, 2018, through January 16, 2018. (**FINRA Case #2014041862704**)

Benjamin James Herauf (CRD #6253620, Saint Louis Park, Minnesota)
December 4, 2017 – An AWC was issued in which Herauf was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Herauf consented to the sanctions and to the entry of findings that he forged a customer's signature on four forms related to the transfer of mutual fund holdings into the customer's account at his member firm without the customer's knowledge or authorization. The findings stated that Herauf then submitted the forged documents to the firm, which resulted in three separate transfers of mutual fund holdings into the customer's firm account. When the customer learned of the transfers, she contacted the firm. After an investigation, the firm reversed the transfers and terminated Herauf.

The suspension is in effect from December 18, 2017, through June 17, 2018. (**FINRA Case #2016052114701**)

Joseph Daniel Krueger II (CRD #4229727, Bay Village, Ohio)
December 4, 2017 – An AWC was issued in which Krueger was fined $5,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Krueger consented to the sanctions and to the entry of findings that he engaged in private securities transactions by issuing $200,000 in convertible promissory notes in connection with his previously disclosed outside business activity without providing prior written notice to his member firm. The findings stated that Krueger disclosed to his firm as an outside business activity a start-up company he created to develop a social media monitoring app. Five of Krueger's friends—four of whom were firm customers—invested a total of $200,000 in his company. In exchange for these investments, Krueger, in his capacity as manager of the company, executed convertible

promissory notes paying six percent interest. Upon maturity of the notes, each investor could elect to convert the outstanding principal and unpaid interest into equity (based on a formula whereby $50,000 would equal one percent ownership in the company).

The suspension is in effect from January 2, 2018, through April 1, 2018. (FINRA Case #2015047243101)

Joseph Alan Lavigne (CRD #1914655, Highlands Ranch, Colorado)
December 4, 2017 – An AWC was issued in which Lavigne was fined $14,500, suspended from association with any FINRA member in all capacities for 30 days, suspended from association with any FINRA member in any principal capacity for 20 days, and ordered to pay $8,520, plus interest, in disgorgement of commissions received. Without admitting or denying the findings, Lavigne consented to the sanctions and to the entry of findings that due diligence he conducted for an offering of convertible notes by an issuer was inadequate. The findings stated that Lavigne failed to adequately supervise his member firm's due diligence and failed to ensure that it adequately investigated information provided by the issuer, which sought financing to develop a digital signage advertising network. The ability to lease signage space in high-traffic areas was central to the issuer's business model. The issuer's claim that it had secured prime locations for its signs was a selling point communicated to potential investors by both it and Lavigne. The due diligence performed did not adequately address the issuer's financial condition, the reasonableness of its projections or the background of its principals. Lavigne also did not adequately verify representations made by the issuer. A lawyer retained by Lavigne's firm to assist with its due diligence on the issuer contacted him on multiple occasions noting documents the issuer had failed to provide and pointing out inconsistencies in the information previously provided by the issuer. Lavigne failed to identify and investigate material information, including litigation alleging securities fraud and the existence of liens related to officers and predecessors of the issuer, which could impact its assets and business. As a result, Lavigne did not have a reasonable basis on which to believe the notes were suitable for any customer. However, Lavigne and his partner recommended and sold the notes to firm customers and for these investments, Lavigne received $8,520. At the time Lavigne recommended and sold the notes, he did not know whether information the issuer provided was accurate and did not question anyone associated with the issuer about the commitments for signage sites in the absence of executed leases. The findings also stated that Lavigne distributed issuer-prepared sales materials to customers or potential customers that were misleading, omitted certain information that caused them to be misleading, or that failed to provide a fair and balanced presentation of information.

The suspension in all capacities was in effect from January 2, 2018, through January 31, 2018. The suspension in any principal capacities is in effect from February 1, 2018, through February 20, 2018. (FINRA Case #2014041862702)

Steven Chin Quoy (CRD #713992, Castle Rock, Colorado)
December 4, 2017 – An AWC was issued in which Quoy was fined $7,500 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Quoy consented to the sanctions and to the entry of findings that he distributed issuer-prepared sales materials related to an offering of convertible notes to customers or potential customers that were misleading, omitted certain information that caused them to be misleading, or that failed to provide a fair and balanced presentation of information.

The suspension was in effect from January 2, 2018, through January 16, 2018. (FINRA Case #2014041862705)

Richard Albert Seefried (CRD #1062447, Spokane, Washington)
December 4, 2017 – An AWC was issued in which Seefried was assessed a deferred fine of $10,000, suspended from association with any FINRA member in all capacities for 30 days, and ordered to pay $13,600, plus interest, in deferred disgorgement of commissions received. Without admitting or denying the findings, Seefried consented to the sanctions and to the entry of findings that he recommended the purchases of convertible notes without a reasonable basis to conclude they were suitable for any investor. The findings stated that at that time Seefried recommended and sold the notes, he did not know whether information the issuer provided was accurate and failed to investigate discrepancies in materials provided by the issuer. Seefried recommended and sold $200,000 of the notes to two customers of his member firm, both of which were accredited investors. For these investments, Seefried received $13,600.

The suspension was in effect from December 4, 2017, through January 2, 2018. (FINRA Case #2014041862703)

Eli Lazarowitz (CRD #2280539, Passaic, New Jersey)
December 5, 2017 – An AWC was issued in which Lazarowitz was fined $5,000 and suspended from association with any FINRA member in all capacities for 45 days. Without admitting or denying the findings, Lazarowitz consented to the sanctions and to the entry of findings that upon beginning his employment with his member firm, he failed to disclose the existence of an outside brokerage account he held at another broker-dealer. The findings stated that during some or all of the period of his association with the firm, Lazarowitz caused trades to be effected in the account, a trust account for which he was a trustee and beneficiary. The account remained open during Lazarowitz's tenure with the firm. Lazarowitz also failed to notify the broker-dealer where the account was held that he had become associated with a firm. The findings also stated that Lazarowitz attested in a firm's annual certification that he did not have any outside brokerage accounts requiring disclosure, which was not true.

The suspension was in effect from December 18, 2017, through January 31, 2018. (FINRA Case #2016051250001)

Michael Nicholas Guilfoyle (CRD #5119593, Old Bridge Township, New Jersey)
December 7, 2017 – An AWC was issued in which Abbate was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in all capacities for 10 months. Without admitting or denying the findings, Guilfoyle consented to the sanctions and to the entry of findings that he engaged in unsuitable excessive trading in the accounts of two customers, one of whom was a retired senior citizen. The findings stated that Guilfoyle exercised control over these accounts because the customers had limited investment experience and both of them relied on him to direct investment decisions in their accounts. Guilfoyle's active trading in the accounts generated sales charges at the expense of his customers, and generated steady income for himself in the form of commissions or markups or markdowns. As a result, the elderly customer suffered losses of $27,821.22 while Guilfoyle generated sales charges of $35,685, and the second customer suffered losses of $28,047.83 while Guilfoyle generated sales charges of $26,150.

The suspension is in effect from December 18, 2017, through October 17, 2018. (**FINRA Case #2015047602801**)

Jess Elliott Roberts (CRD #6496087, Ellensburg, Washington)
December 11, 2017 – An AWC was issued in which Roberts was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Roberts consented to the sanctions and to the entry of findings that he solicited and accepted a $5,000 personal loan from an elderly customer whose account he serviced without notifying or seeking prior approval from his member firm. The findings stated that Roberts did not make any repayment of the loan. After the customer contacted the firm and informed it about the existence of the loan, the firm repaid the customer the $5,000. During the course of the firm's internal investigation into the loan, Roberts provided misleading information to the firm's staff about why the customer liquidated $5,000 from a mutual fund position and withdrew those funds from his firm account. That withdrawal funded the customer's loan to Roberts, but Roberts told the firm that the customer used the funds for family reasons. At the time that Roberts provided the misleading information, he did not know that the firm was aware of the loan.

The suspension is in effect from December 18, 2017, through March 17, 2018. (**FINRA Case #2017054665401**)

Kenneth S. Alter (CRD #2147698, Los Angeles, California)
December 12, 2017 – An AWC was issued in which Alter was fined $5,000 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Alter consented to the sanctions and to the entry of findings that prior to his departure from his member firm, he sent unencrypted emails from his firm email address to his personal email address and to a third party that included

attachments containing nonpublic personal information for firm customers. The findings stated that by transmitting nonpublic personal information to his personal email address and to a third party, Alter placed the customers' information at risk and caused his firm to violate Regulation S-P of the Securities Exchange Act of 1934.

The suspension was in effect from January 2, 2018, through January 16, 2018. (**FINRA Case #2015046445501**)

Steven Arthur Bumbera (CRD #4686154, Webster Groves, Missouri)
December 12, 2017 – An AWC was issued in which Bumbera was assessed a deferred fine of $4,000 and suspended from association with any FINRA member in all capacities for 45 days. In assessing this fine, FINRA considered sanctions that Missouri's Securities Division previously imposed against Bumbera. Without admitting or denying the findings, Bumbera consented to the sanctions and to the entry of findings that he referred 30-45 people, including six of his member firm's securities customers, to a mortgage broker as part of an outside business activity after repeatedly attesting to the firm that he was not engaging in any such outside business activity. The findings stated that Bumbera received compensation for two of those referrals. Bumbera notified his firm about that outside business activity, but the firm did not approve it. The findings also stated that in three instances, Bumbera attested to the firm in compliance questionnaires that he was not involved in any business activity outside of the firm, including any mortgage-related activities, and was not currently involved in any referral arrangement for which he received compensation. Bumbera did not notify the firm about his referrals, preventing it from discharging its obligation to evaluate his outside business activity and determine whether to prohibit, limit, or condition it. The firm terminated Bumbera's association with it after he provided two Form 1099s that disclosed his outside business activities during the course of a routine inspection at the firm.

The suspension was in effect from December 18, 2017, through January 31, 2018. (**FINRA Case #2016050361601**)

Wayne Ivan Miiller (CRD #4813645, Scottsdale, Arizona)
December 13, 2017 – An AWC was issued in which Miiller was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in any principal capacity for six months. Without admitting or denying the findings, Miiller consented to the sanctions and to the entry of findings that as his member firm's president, he failed to reasonably supervise the firm's Chief Compliance Officer (CCO) and direct supervisor for all registered representatives at a branch office of his firm. The findings stated that although Miiller believed that the CCO possessed the requisite experience to serve in her respective functions, once having delegated certain responsibilities to her, Miiller was also obligated to monitor whether the CCO was properly exercising the duties delegated to her and to respond to any red flags that indicated that the system in place or her supervision was deficient. Miiller failed to reasonably respond to red flags that the firm's systems

were not adequate and that the CCO was not capable of reasonably supervising a former representative who had made excessive, unsuitable and unauthorized transactions in customer accounts. In particular, Miiller failed to take sufficient reasonable corrective or remedial action after the CCO advised him that she was having difficulty analyzing the firm's trade blotter and mutual fund switch reports, and requested better surveillance tools in the form of exception reports. Although a compliance consultant was hired to assist the CCO in her account surveillance tasks, given the CCO's continued difficulty working with the existing blotter and reports, Miiller should have recognized that she still lacked the experience and training necessary to conduct reasonable trading surveillance using the firm's existing surveillance tools even with the help of the compliance consultant. Miiller also failed to act reasonably after he learned from the CCO that the representative had excessively traded mutual fund "A" shares in customer accounts. Although the representative was placed on heightened supervision, neither the CCO nor anyone else at the firm contacted the representative's mutual fund customers. Had someone done so, Miiller's firm would have learned that the representative's excessive mutual fund activity was also unauthorized in the accounts of at least nine of the 11 affected customers. In addition, while on heightened supervision, the representative began to increasingly employ an unsuitable "swing trade" strategy for the same customers for whom he had been improperly trading the "A" shares. This conduct also went undetected due to the absence of an excessive trading exception report and the CCO's inability to detect excessive trading using the firm's existing trade blotter.

The suspension is in effect from January 2, 2018, through July 1, 2018. (**FINRA Case #2012033566204**)

Janet Lynn Ross (CRD #4381729, Huntington Beach, California)
December 13, 2017 – An AWC was issued in which Ross was assessed a deferred fine of $10,000, suspended from association with any FINRA member in any principal capacity for two years and ordered to pay $21,836, plus interest, in deferred disgorgement of commission overrides received. Without admitting or denying the findings, Ross consented to the sanctions and to the entry of findings that while serving as the direct supervisor for all registered representatives in a branch office of her member firm, she failed to reasonably supervise a former representative who made excessive, unsuitable and unauthorized transactions in customer accounts, another former representative who made unauthorized exchanges of mutual funds in customer accounts, and other representatives at the branch who improperly used pre-signed and altered customer forms.

The findings stated that Ross's review of the firm's trade blotter and switch reports in connection with her review of the first representative's mutual fund transactions was not reasonable in that she failed to detect or prevent the excessive and unsuitable mutual fund transactions. When Ross did manage to identify questionable mutual fund transactions by the representative, she sought explanations from him and accepted his explanations without any further follow-up. Ross's reviews of the firm's trade blotters in connection with the representative's swing trading were not reasonable in that she failed to detect or prevent the high volume of "swing trade" activity in the 11 customers' accounts for close to a year. Although Ross asked the firm for an exception report to assist her in reviewing short-term mutual fund and excessive trading activity, when the firm denied this request, she took no further steps to enhance her ability to identify short-term mutual fund holding periods or excessive equity trading with the tools available to her. Had Ross engaged in reasonable follow-up by contacting the customers and had she detected the representative's excessive trading sooner, she would have learned that the representative's excessive mutual fund activity and "swing trades" in at least nine of 11 customers' accounts were unauthorized. The excessive, unsuitable and unauthorized mutual fund transactions cost the 11 customers over $150,000 in commissions and fees, and collective losses of over $700,000.

The findings also stated that Ross's review of the second representative's unauthorized mutual fund activity was not reasonable. Ross failed to detect the representative's unusual activity–involving the placement of over 300 mutual fund sell orders to sell out of all of the mutual fund holdings in the accounts of more than 25 customers–due to his fear of a market correction. Ross's review of this activity was not reasonable. She failed to detect this activity through her review of the firm's trade blotter although some of the trading was done directly with the mutual funds and did not appear on the firm's trade blotter. Ross only learned about the activity when she received a complaint about unauthorized mutual fund sales from one of the affected customers. When Ross learned that there might be additional customers involved, she questioned the representative about the trading but simply accepted his explanations for the numerous transactions without further investigation. While the representative restored the accounts of the affected customers to the holdings at the time of the unauthorized trades, as instructed by Ross, she never contacted any of the customers herself to follow up or to confirm that the customers were satisfied with the resolution.

The findings also stated that Ross identified several questionable customer forms that had been reused or altered in the branch office's customer files. Thereafter, Ross failed to prevent multiple uses of pre-signed and altered customer forms utilized by at least five representatives in the branch office, in spite of red flags, such as the use of correction fluid on documents that she approved. The use of these altered forms continued until they were identified by the FINRA.

FINRA found that as a result of the first representative's excessive and unsuitable swing trading, the firm prohibited him from engaging in any further commission-based securities transactions through the firm. Ross never reported to FINRA the first representative's prohibition from engaging in commission-based securities transactions through the firm. Until he was barred by FINRA in early 2016, the first representative remained associated with the firm and continued his insurance business, sold alternative investments, and transferred some customer assets to an investment advisory firm affiliated with the firm.

For the complaints brought against the second representative for unauthorized trading, Ross filed inaccurate Form 4530(d) Reports, which inaccurately stated that the complaints concerned “poor recommendation/poor advice” when it, in fact, concerned “unauthorized trading.”

The suspension is in effect from December 18, 2017, through December 17, 2019. (**FINRA Case #2012033566203**)

Ashley Elmo Arnsdorff (CRD #5753132, Summerville, South Carolina)
December 15, 2017 – An AWC was issued in which Arnsdorff was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 10 business days. Without admitting or denying the findings, Arnsdorff consented to the sanctions and to the entry of findings that he did not bring a customer’s complaint to the attention of his member firm when the customer complained orally to him when she failed to receive the expected interest on a brokered certificate of deposit she authorized him to purchase. The findings stated that in an effort to appease the customer, Arnsdorff paid the customer the expected interest using his own money without the firm’s knowledge or consent.

The suspension was in effect from December 18, 2017, through January 2, 2018. (**FINRA Case #2017054974401**)

Carol Lipner (CRD #4434543, Plainview, New York)
December 15, 2017 – An AWC was issued in which Lipner was fined $17,500, suspended from association with any FINRA member in all capacities for 45 days, and required to requalify by examination for the financial and operations principal (FINOP) (Series 27) registration before returning to any FINRA member as a FINOP. Without admitting or denying the findings, Lipner consented to the sanctions and to the entry of findings that as her member firm’s chief financial officer and FINOP, she failed to ensure that the firm ceased conducting a securities business while it was net capital deficient. The findings stated that Lipner consistently reported the firm’s net capital deficiencies to the SEC and FINRA several weeks late, causing it to violate applicable SEC rules.

The findings also stated that Lipner permitted the firm to violate SEC and FINRA rules when it failed to compute its accounts receivable and net capital correctly in that it classified a non-allowable receivable from another broker-dealer as an allowable receivable in its FOCUS reports. As a result, the firm understated its net capital and net capital deficiencies each time it reported a deficiency to the SEC and FINRA, and inaccurately calculated that it had met its minimum net capital requirement in a month when the corrected amount of allowable receivables ultimately resulted in a deficiency. The firm’s misclassification of the non-allowable receivable on its balance sheet also resulted in its books and records being inaccurate. The findings also included that Lipner caused or allowed the firm to record its owner’s personal expense of $1,426 as the firm’s expense causing inaccuracies in the firm’s

FOCUS reports in that they overstated the firm's reported expenses. FINRA found that the owner of the firm contributed $35,000 and $23,000 at two different times to rectify net capital deficiencies, and subsequently withdrew $35,000 and $3,500. Lipner allowed the owner's withdrawals that were in violation of SEC and FINRA rules. FINRA also found that Lipner allowed the firm to fail to file an annual report.

The suspension was in effect from December 18, 2017, through January 31, 2018. (**FINRA Case #2014039444403**)

Walter Sanfrid Olsson (CRD #352636, Grand Rapids, Michigan)
December 15, 2017 – An AWC was issued in which Olsson 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, Olsson consented to the sanctions and to the entry of findings that he participated in a private securities transaction in the form of a note with a customer of his member firm without notifying the firm of the transaction or obtaining its approval for it. The findings stated that Olsson discussed the note transaction with the customer, which resulted in the customer investing in a local inn, an outside business owned by Olsson and two other individuals who were customers of the firm. The firm had prohibited Olsson from involving additional customers in the inn. To facilitate the investment, Olsson introduced the customer to a representative of the inn to finalize the note. Olsson also directed another registered representative of the firm to liquidate $260,000 in funds from the customer's account at the firm to be used for the investment. The customer lost his investment, and his estate settled with Olsson.

The suspension is in effect from December 18, 2017, through April 17, 2018. (**FINRA Case #2016052628601**)

Gary Bruce Weiss (CRD #1800295, Woodmere, New York)
December 15, 2017 – An AWC was issued in which Weiss was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in any principal capacity for 30 business days. Without admitting or denying the findings, Weiss consented to the sanctions and to the entry of findings that he failed to reasonably supervise the activities of a registered representative who recommended unsuitable mutual fund transactions to a customer as follows: the representative recommended that a customer switch to new mutual funds that were unsuitable because the new mutual funds' investment objectives were not consistent with the customer's investment objective of capital preservation; the Class A shares purchased were not consistent with the customer's shorter investment horizon; and by purchasing the recommended mutual funds from 12 different mutual fund families, the customer did not receive available breakpoint discounts.

The findings also stated that while reviewing the representative's recommendations, Weiss failed to consider and ensure that the investment objectives of the new mutual funds were consistent with the customer's investment objective of preservation of capital, that Class A shares were appropriate for the customer in light of his short-term investment horizon, and that the customer received the benefit of available breakpoint discounts. In addition, Weiss failed to ensure that mutual fund switch letters sent by the representative to the customer included critical information, including the amount of the sales charges for the new mutual funds. Finally, Weiss lacked a reasonable understanding of mutual funds to properly discharge his supervisory responsibilities.

The suspension was in effect from December 18, 2017, through January 31, 2018. (FINRA Case #2015043645101)

Lawrence John Fawcett Jr. (CRD #5851474, Dix Hills, New York)
December 18, 2017 – An AWC was issued in which Fawcett was fined $2,500, suspended from association with any FINRA member in all capacities for 15 business days and ordered to pay $22,714.30, plus interest, in disgorgement of commissions received. Without admitting or denying the findings, Fawcett consented to the sanctions and to the entry of findings that he recommended unsuitable mutual fund transactions to a customer. The findings stated that the customer transferred mutual funds he held at another firm to his IRA at Fawcett's member firm. All of the mutual funds were comprised of Class A shares from the same fund family. Three days later, based on Fawcett's recommendations, the customer sold the mutual funds and used the proceeds totaling approximately $865,000, to purchase Class A shares of 14 different mutual funds from 12 different fund families. Fawcett's recommendation to switch to the new mutual funds was unsuitable because the new mutual funds' investment objectives were not consistent with the customer's investment objective of capital preservation; Class A shares, which are generally appropriate for investors with long-term investment horizons, were not consistent with the customer's shorter investment horizon; and by purchasing mutual funds from 12 different mutual fund families, the customer did not receive available breakpoint discounts.

The suspension was in effect from January 16, 2018, through February 5, 2018. (FINRA Case #2015043939101)

Gary Raymond Gray (CRD #1641113, Las Vegas, Nevada)
December 18, 2017 – An AWC was issued in which Gray was assessed a deferred fine of $10,000 and suspended from association with any FINRA member in all capacities for three months. Without admitting or denying the findings, Gray consented to the sanctions and to the entry of findings that he exercised discretion in effecting 236 trades in accounts maintained by eight of his member firm's customers, without obtaining prior written authorization from the customers to exercise discretion in their accounts and without the firm having approved any of the accounts for discretionary trading. The findings stated that Gray falsely certified in a firm Registered Association Compliance Questionnaire that he did not have any accounts in which he exercised trading discretion, including time and price discretion. The findings also stated that Gray caused his firm to create and maintain inaccurate books and records by improperly marking 12 order tickets for customers as unsolicited, when they were in fact solicited transactions.

The suspension is in effect from December 18, 2017, through March 17, 2018. (FINRA Case #2017054543201)

Nicholas Victor Kayal (CRD #6664843, Bethlehem, Pennsylvania)
December 19, 2017 – An AWC was issued in which Kayal was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for 20 business days. Without admitting or denying the findings, Kayal consented to the sanctions and to the entry of findings that he engaged in two outside business activities without providing prior written notice to his member firm. The findings stated that Kayal provided handicapping picks on a sports handicapping website for individuals who wager on sporting events, in exchange for $350 in compensation. In addition, Kayal worked for a start-up venture founded by former media-industry colleagues of his by writing articles for its website about sports and appearing on the website's podcast. Although Kayal anticipated receiving compensation for this activity, the start-up venture did not ultimately compensate him.

The suspension was in effect from January 2, 2018, through January 30, 2018. (**FINRA Case #2016051974301**)

Shannon Lynn Lewis (CRD #3146798, Muscatine, Iowa)
December 19, 2017 – An AWC was issued in which Lewis was assessed a deferred fine of $7,500 and suspended from association with any FINRA member in all capacities for six months. Without admitting or denying the findings, Lewis consented to the sanctions and to the entry of findings that she executed $1,074,199 in securities transactions involving nine customers' outside retirement accounts, without providing notification in writing or orally to her member firm or the executing firms prior to the execution of these transactions. The findings stated that Lewis's customers granted her discretionary trading authority and permitted her to access their online accounts administered by other firms using their login credentials and passwords. Lewis then rebalanced these customers' retirement accounts on an ongoing basis, buying and selling groups of mutual funds. Further, Lewis failed to disclose these outside transactions in annual compliance questionnaires submitted to her firm.

The findings also stated that Lewis set up online account access for four customers' accounts held at outside institutions, and provided her firm-provided email address to be used as the customer's email address for these accounts. In so doing, Lewis falsely represented that her firm-provided email address was the email address for her customers. As a result, the institutions sent four emails intended for Lewis's customers to her firm-provided email account. Lewis's actions misled these outside institutions into believing that they were communicating with their customers, and cut off a direct channel of communication that was supposed to exist between these firms and their customers.

The suspension is in effect from January 2, 2018, through July 1, 2018. (**FINRA Case #2016050038501**)

Roseann Palermo (CRD #5518350, Staten Island, New York)
December 20, 2017 – An AWC was issued in which Palermo was fined $5,000 and suspended from association with any FINRA member in all capacities for one month. Without admitting or denying the findings, Palermo consented to the sanctions and to the entry of findings that she failed to provide written notification to her member firm that she owned five brokerage accounts at firms other than it. The findings stated that Palermo opened two of the five accounts prior to the date she became associated or registered with her firm, but she failed to disclose these accounts to it in writing when she became registered with the firm or promptly thereafter. The three remaining accounts were opened after Palermo was registered with the firm, but she failed to provide written notification to it prior to the opening of the accounts. Palermo relied on her husband, who was a registered person with the firm during part of the relevant period, to fill out annual outside brokerage account disclosure forms required by it on her behalf. Palermo reviewed the information on the disclosure forms and signed the forms before submitting them to the firm. Palermo's annual disclosure forms did not include two of her outside accounts and failed to promptly include the remaining three accounts. The findings also stated that Palermo failed to provide any written notice to two of the executing firms, and failed to provide prompt written notice to the third executing firm, that she was an associated person of a FINRA-member firm.

The suspension is in effect from January 16, 2018, through February 15, 2018. (**FINRA Case #2015045753402**)

Mircea Cristian Sauciuc (CRD #6418629, Olathe, Kansas)
December 20, 2017 – An AWC was issued in which Sauciuc was assessed a deferred fine of $10,000, suspended from association with any FINRA member in all capacities for 60 days, and ordered to pay $1,589, plus interest, in deferred disgorgement of commissions received. Without admitting or denying the findings, Sauciuc consented to the sanctions and to the entry of findings that he exercised discretion in his customer's account without obtaining the customer's written authorization. The findings stated the customer told Sauciuc that he would like to invest in certain stocks. However, Sauciuc did not get the customer's authorization before executing each of the transactions. The trades Sauciuc executed generated $3,539 in commissions on $37,194 of capital traded. The findings also stated that Sauciuc recommended transactions that were quantitatively unsuitable for the customer due to the amount of the commissions charged. Sauciuc split the trades for 16 issuers into two transactions rather than making one buy, which caused the customer to pay, and Sauciuc to receive, $1,589 in additional commissions.

The suspension is in effect from January 2, 2018, through March 1, 2018. (**FINRA Case #2017053126201**)

Craig Alan Sutherland (CRD #2001873, Lewis Center, Ohio)
December 26, 2017 – An AWC was issued in which Sutherland was fined $5,000 and suspended from association with any FINRA member in all capacities for 15 business days. Without admitting or denying the findings, Sutherland consented to the sanctions and to the entry of findings that he used an unapproved personal email account to communicate with a customer of his member firm about securities-related matters. The findings stated that the firm did not have access to Sutherland's personal email account and as a result was not able to preserve, maintain, and timely review these communications, in accordance with its own procedures and supervisory obligations. The findings also stated that Sutherland sent emails to individuals containing inaccurate, exaggerated, unwarranted or promissory representations pertaining to a single security.

The suspension was in effect from January 16, 2018, through February 5, 2018. (**FINRA Case #2016049804101**)

John William Bernard (CRD #2655101, San Luis Obispo, California)
December 27, 2017 – An AWC was issued in which Bernard 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, Bernard consented to the sanctions and to the entry of findings that he exercised discretion in the accounts of customers without having obtained the customers' prior written authorization and without his member firm having accepted the accounts for discretionary trading.

The suspension was in effect from January 2, 2018, through January 30, 2018. (**FINRA Case #2015044696201**)

Jon William Stagnone (CRD #2433974, Chelmsford, Massachusetts)
December 28, 2017 – An AWC was issued in which Stagnone was assessed a deferred fine of $5,000 and suspended from association with any FINRA member in all capacities for two months. Without admitting or denying the findings, Stagnone consented to the sanctions and to the entry of findings that he engaged in securities activities at his member firm that required registration, despite not being registered with FINRA. The findings stated that Stagnone's activities included meetings with current and prospective customers of the firm, and the provision of investment advice and securities recommendations.

The suspension is in effect from January 2, 2018, through March 1, 2018. (**FINRA Case #2017053313001**)

Decision Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of December 31, 2017. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future issues of FINRA Disciplinary and Other Actions.

James Larkin Powers (CRD #2450818, Ridgewood, New Jersey)
December 4, 2017 – Powers appealed an OHO decision to the National Adjudicatory Council (NAC). Powers was barred from association with any FINRA member in all capacities and ordered to pay $388,133, plus prejudgment interest, in disgorgement of ill-gotten profits. The sanctions were based on findings that Powers engaged in a fraudulent scheme involving the use of sham trades for his own profit. The findings stated that Powers engaged in the fraudulent scheme by executing fictitious trades through buying and selling securities to and from his member firm's accounts that he controlled, at prices he set, for his own benefit, with no corresponding market executions in the securities involved. Powers fabricated the transactions with no corresponding executions with market counterparties to transfer more than $388,000 from his firm's average price account to his personal account at the firm, and then to his personal bank account at a bank. The sham trades involved more than 53,000 shares in eight stocks and generated profits exceeding $388,000. As a result of his conduct, Powers willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and FINRA Rules 2010 and 2020.

The findings also stated that Powers engaged in unauthorized securities transactions in customer accounts when he booked a large short sale position into customer accounts without authorization 12 times over seven weeks, canceling each trade before it settled, and then booking it into another customer account. Powers' series of unauthorized trades began when he acquired the short position in a company's stock by short selling 1,500 shares of the company at $364.54 per share without a customer order. Powers, having previously engaged in a profitable trade in the company's stock, attempted to repeat that success. Powers was unable to do so as the market price of the stock rapidly increased, leaving him in a progressively worse position. This led Powers to book the trades as he did in order to hide the position, in the hope that over time the market would become more favorable and allow him to recoup his loss. The firm's clearing firm noticed the pattern of cancellations and re-billings of the block of the company's stock, and took the actions that compelled the firm to make Powers place the stock in his error account and cover the trade.

The findings also included that when Powers booked the company's stock position into customer accounts without authorization, he caused the firm to create and maintain false records of orders and false trade confirmations. The firm's trading blotters and confirmations recorded Powers' transactions, making it appear that his customers were placing sell orders for the company's stock that they then canceled on or before trade settlement dates when there were actually no customer orders.

The decision found that FINRA failed to prove the allegations in the second and third causes of action by a preponderance of the evidence. Therefore, the Panel dismissed the complaint's allegations that Powers converted customer funds and engaged in fraudulent practices by making material misstatements and omissions of fact in customer trade confirmations.

The sanctions are not in effect pending the review. (**FINRA Case #2014041985401**)

Complaints Filed

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

Spencer Edwards, Inc. (CRD #22067, Centennial, Colorado)
December 4, 2017 – The firm was named a respondent in a FINRA complaint alleging that it made unsuitable recommendations to its customers for the purchase of $413,000 of convertible notes of a non-public company through a private placement offering conducted by the firm. The complaint alleges that the company's principals founded it to develop a digital sign business, however it had no leases in place and no sites committed to displaying the signs. Nevertheless, the firm recommended the purchase of the notes to the customers without a reasonable basis to believe that the recommendation was suitable for any investor and before the firm's due diligence was completed. The firm failed to identify and investigate inconsistencies and apparently inaccurate information related to the company's leases in documents and other materials it provided. Additionally, the firm failed to identify and investigate litigation and liens related to officers and predecessors of the company that could affect its assets and business. The firm also failed to question the lack of a substantive executive summary not attached to the note purchase agreement despite the agreement specifically referencing such a document. The firm further failed to adequately investigate and address the company's corporate status and SEC filings, even after the firm's counsel raised those issues.

The complaint also alleges that the firm distributed to potential investors misleading materials the company created that contained false or misleading statements about the existence or status of leases or lease commitments it allegedly held for digital signage sites, and lacked any discussion of the risks involved in the note investment. While the note purchase agreement contained risk disclosures, it failed to discuss risks related to the principal's prior securities fraud litigation, and judgments and liens that could affect the company's assets and business. The complaint further alleges that the firm, through a registered representative, failed to adequately supervise the due diligence and failed to adequately respond to red flags presented. In addition to the due diligence being inadequate, there was no documented record of due diligence conducted or if it was ever completed. The firm's WSPs for private placement due diligence were inadequate, and its procedures were overly general and did not provide adequate guidance on how to conduct due diligence. In addition, the procedures mentioned the need to meet a minimum set of standards before the firm would participate in an offering but failed to identify those standards.

In addition, the complaint alleges that the firm willfully violated Securities Exchange Act of 1934 Rule 15c2-4(a) and FINRA Rule 2010 when it did not promptly transmit a customer's $50,000 check to the company to pay for an investment in its notes. Moreover, the complaint alleges that by holding the customer's check, the firm no longer qualified for a net capital exemption, and as a result it willfully violated Securities Exchange Act of 1934 Rule 15c3-1 and FINRA Rule 2010. Furthermore, the complaint alleges that the firm did not make a required daily calculation or set up a special reserve account during the period in which it improperly retained the customer's check. As a result, the firm willfully violated Securities Exchange Act of 1934 Rule 15c3-3 and FINRA Rule 2010 because it no longer qualified for an exemption to the customer protection rule. (**FINRA Case #2014041862701**)

Gary Michael Strange (CRD #1655033, Bunn, North Carolina) and Laurie B. Strange (CRD #6193480, Bunn, North Carolina)
December 11, 2017 – Gary Strange and Laurie Strange were named respondents in a FINRA complaint alleging that registered representative Gary Strange borrowed $153,506.57 through two loans from customers—a husband and wife—without providing or receiving approval from his member firm. The complaint alleges that Gary Strange accepted both loans, despite the firm's written procedures prohibiting them. In addition, Gary Strange accepted the second loan less than four months after the firm fined him, placed him on heightened supervision and issued him a letter of reprimand for obtaining financial assistance from another customer. The complaint also alleges that Gary Strange's recommendation that one of the customer's liquidate her security holdings in order to make the second loan was unsuitable. Gary Strange did not have a reasonable basis to believe that the transaction was suitable for the customer in light of her investment profile, including her financial situation.

Gary Strange's recommendation was also unsuitable in light of the customer's tax status. Specifically, Gary Strange knew that the customer could not take a distribution from her account without incurring significant taxes and penalties unless the distribution and the previous loan that the customers had taken from their account were repaid in full within 60 days. As a result of Gary Strange's recommendation and the failure of he and his wife, Laurie Strange, to repay the second loan to the customers, the customers incurred taxes and penalties of at least $43,790.

The complaint further alleges that Laurie Strange, an associated person at the firm, assisted Gary Strange in facilitating the loans and acted to conceal the loans from the firm despite the knowledge that Gary Strange was prohibited from borrowing money from firm customers. Laurie Strange accepted the first loan and the second loan into an account in her name only to create the false appearance that she was the sole recipient of the loans. Laurie Strange also helped one of the customers open an account, accompanying her to another broker-dealer to do so, in order to conceal the second loan from the firm. Laurie Strange benefitted from her action, by using the proceeds of the first loan, jointly with Gary Strange, to pay rental expenses for the property she lived at and worked on with Gary Strange. Laurie Strange further benefitted from her actions by using the proceeds of the second loan, jointly with Gary Strange, for real estate transactions. Gary Strange and Laurie Strange repaid the first loan, however, they still owe the customers at least $185,296 inclusive of taxes and penalties incurred resulting from the second loan. (**FINRA Case #2016050990401**)

Jeffery Allen Fanning (CRD #1566859, Cheyenne, Wyoming)
December 12, 2017 – Fanning was named a respondent in a FINRA complaint alleging that he failed to reasonably supervise the equity trading of registered representatives at his member firm for potentially excessive trading. The complaint alleges that even where Fanning's reviews of customer account activity identified potentially excessive trading, he frequently failed to reasonably address that activity. Fanning failed to establish and maintain a system to supervise the firm's associated persons reasonably designed to identify and respond to potentially excessive trading. Fanning developed the firm's WSPs pertaining to reviews for potentially excessive trading, but failed to ensure they stated how he would identify excessive trading during those reviews, or how often he would conduct those reviews. In addition, Fanning failed to ensure that the WSPs reasonably outlined the steps the firm should take if his reviews identified potentially excessive trading. Fanning failed to reasonably carry out his supervisory responsibilities relating to the equity trading of firm representatives, including failing to perform supervisory review with any regularity, and, when his review did identify potentially excessive trading activity, he failed to follow up on that activity effectively. The complaint also alleges that Fanning signed letters addressed to the United States Citizenship and Immigration Service that misrepresented the nature of two representatives' employment with the firm. Fanning knew at the time he signed the letters that the job descriptions in the letters did not accurately reflect the jobs the representatives were actually performing for the firm. (**FINRA Case #2015043246401**)

Accelerated Capital Group, Inc. (CRD #41270, Costa Mesa, California)
December 13, 2017 – The firm was named a respondent in a FINRA complaint alleging that it failed to establish and maintain a supervisory system, including WSPs, reasonably designed to detect unsuitable, excessive or unauthorized trading in customer accounts. The complaint alleges that the firm failed to reasonably supervise to ensure that all securities transactions were suitable, not excessive, and properly authorized by its customers; failed

to monitor mutual fund switches, exchanges, and sales for suitability; failed to ensure that its registered representatives informed customers of breakpoints when purchasing mutual fund products; and failed to reasonably identify or respond to red flags of broker misconduct. With regard to mutual fund transactions, the firm's mutual fund procedures failed to ensure that the customers understood the differences in fees among mutual fund products, specifically that Class A mutual funds contained front-loaded fees that made them generally unsuitable as short-term investments, in large part because the mutual fund exchange form did not disclose fees and did not have to be acknowledged by customers. The firm did not utilize any useful exception reports to identify potentially problematic trading activity. Instead, the firm relied on the CCO to conduct manual reviews of trading activity, which failed to identify questionable patterns, such as excessive turnover or high cost-to-equity ratios with respect to individual customers. The absence of useful exception reports further led to the CCO failing to identify the high number of short-term purchases and sales of Class A mutual funds in the accounts of a representative's customers. In addition, the CCO's manual review of trading failed to detect that the representative was churning or twisting his customers' accounts without customer authorization, which would have been evident if the firm had received commonly utilized exception reports that detected excessive turnover rates and cost-to-equity ratios within customer accounts. The representative's customers sustained in excess of $900,000 in trading losses and improper sales loads as a result of the unsupervised misconduct.

The complaint also alleges that the firm is liable for the excessive and unauthorized trading of, and unsuitable investment recommendations made by, the representative under the doctrine of respondeat superior. The complaint further alleges that the firm, through several representatives in a branch office, serially used pre-signed and altered documents to facilitate the opening of new customer accounts and to accommodate customer requests for distributions. These pre-signed documents were materially inaccurate in that they purported to be signed and authorized by a firm customer on a specific date simultaneous with the account opening or request for distribution, but, in fact, were pre-signed and not made in connection with the activity for which the customer was purported to have attested. In addition, the complaint alleges that the firm failed to report to FINRA when it prohibited a representative to act as a securities broker or to trade any securities on behalf of his customers, and failed to report to FINRA customer complaints against another representative and a $19,749 settlement made in connection with unauthorized trading by that representative. (**FINRA Case #2012033566205**)

Ascendiant Capital Markets, LLC (CRD #152912, Irvine, California)
December 19, 2017 – the firm was named a respondent in a FINRA complaint alleging that it willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and violated FINRA Rule 2020 by charging unfair and unreasonable prices with fraudulently excessive and undisclosed markups in principal-basis stock sales made by the firm to a corporate customer. The complaint alleges that the firm failed to disclose

the facts regarding the fraudulently excessive prices and fraudulently excessive markups to the customer. As a result, the firm overcharged the customer $140,000 for these stock purchases. In addition, the firm was a control person of a registered representative in connection with the sale to the customer, in that the firm had control over the representative who was its head trader. Accordingly, the firm is also liable for violations of Section 10(b) and Rule 10b-5 under the control person provisions of Section 20(a) of the Securities Exchange Act of 1934. In addition, the firm is liable for securities fraud under the doctrine of respondeat superior.

The complaint also alleges that the firm sold the shares to its customer in these principal-basis sales at prices that were excessive, unreasonable and unfair (and had excessive markups), taking into consideration all relevant circumstances, including market conditions with respect to such securities at the time of the transaction. The complaint further alleges that the firm failed to reasonably supervise the activities of the representative for the customer's account so as to achieve compliance with the federal securities laws and regulations and FINRA rules. The firm failed to take reasonable steps in the supervision of the representative in connection with the principal basis sales by the firm of stocks to its customers. The firm failed to take reasonable steps both to prevent charging the customer unfair and unreasonable prices and excessive markups in such principal basis sales and to prevent securities fraud in the sale of stocks to the customer at fraudulently excessive prices with fraudulently excessive and undisclosed markups.

In addition, the complaint alleges that despite the fact that the firm, as part of its regular business operations, sold stocks on a principal basis with markups to its customers, the firm did not have any adequate systems or procedures in place (and no adequate WSPs) to address the supervision of the prices that customers were charged for these principal-basis stock sales, and whether these prices (and associated markups on principal-basis stock sales) were in compliance with applicable rules. Moreover, the complaint alleges that the firm did not have policies and procedures reasonably designed to restrict or limit the information flow between the firm's research department personnel and other personnel, including its trading department personnel. In addition, the firm failed to reasonably supervise its research department to ensure that it did not share information regarding the issuance or content of a research report prior to publication with trading department personnel. On at least three occasions, the firm provided a copy of a research report to all personnel at the firm, including trading department personnel, prior to the research report's publication. (**FINRA #2014038989201**)

Robert Joseph Flanagan (CRD #5755699, Holland, Pennsylvania)
December 20, 2017 – Flanagan was named a respondent in a FINRA complaint alleging that he willfully failed to disclose a civil judgment on his Form U4. The complaint alleges that Flanagan made a false written statement to his member firm by falsely attesting that the information contained in his Form U4 was accurate and had not changed, even though he was aware that the civil judgment had been entered against him. The complaint also alleges that in connection with FINRA's investigation into Flanagan's potential failure to disclose the civil judgment on his Form U4 and potential sales practice violations, he failed to both timely and completely respond to FINRA's requests for information and documents, and failed to appear for FINRA on-the-record testimony. (**FINRA Case #2016050447102**)

Ellen Vratoric (CRD #2345611, McKees Rocks, Pennsylvania)
December 22, 2017 – Vratoric was named a respondent in a FINRA complaint alleging that she failed to appear and provide FINRA on-the-record testimony requested following its review of allegations contained in a Form U5 and subsequent amendments filed by her member firm, and after additional customers complained about her sales of variable and fixed annuities. (**FINRA Case #2016049420501**)

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

IMS Securities, Inc. (CRD #35567)
Houston, Texas
(December 28, 2017)

Kuhns Brothers Securities Corporation (CRD #47331)
Lime Rock, Connecticut
(December 28, 2017)
M. Amarico, Inc. (CRD #7745)
West Redding, Connecticut
(December 12, 2017)

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

North Nassau Advisors, LLC (CRD #143169)
Princeton, New Jersey
(December 12, 2017)

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

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

G – W Brokerage Group, Inc. (CRD #22691)
Beverly, New Jersey)
(December 4, 2017)

North Nassau Advisors, LLC (CRD #143169)
Princeton, New Jersey)
(December 4, 2017)

North Nassau Advisors, LLC (CRD #143169)
Princeton, New Jersey
(December 11, 2017)

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.)

Florjan Beqo (CRD #6568650)
Macomb, Michigan
(December 18, 2017)
FINRA Case #2017053564601

Benjamin Phillip Brown (CRD #5967897)
Westfield, Indiana
(December 22, 2017)
FINRA Case #2017054972901

Joseph Calascione (CRD #6501046)
Staten Island, New York
(December 11, 2017)
FINRA Case #2017054423701

Sonya D. Camarco (CRD #2427529)
Colorado Springs, Colorado
(December 18, 2017)
FINRA Case #2017055240601

Samiul Anam Chowdhury (CRD #5623664)
Fresh Meadows, New York
(December 4, 2017)
FINRA Case #2017053704401

Argenis T. Cortes (CRD #5787395)
Valley Stream, New York
(December 4, 2017)
FINRA Case #2015047127701

Vincent Frank D'Accardi (CRD #4548518)
Lake Hiawatha, New Jersey
(December 4, 2017)
FINRA Case #2017053370201

Oscar R. Galdamez (CRD #5044661)
Beverly Hills, California
(December 11, 2017)
FINRA Case #2017054032101

Matthew Douglas Garrett (CRD #6485387)
Olive Branch, Mississippi
(December 4, 2017)
FINRA Case #2017053473601

Michael D. Graham (CRD #5028062)
Coralville, Iowa
(December 22, 2017)
FINRA Case #2017054391801

Kimberlyann Huegel (CRD #3137776)
Springfield, Pennsylvania
(December 29, 2017)
FINRA Case #2017054945601

Randall William Hunt (CRD #1387936)
Rossford, Ohio
(December 11, 2017)
FINRA Case #2017053653401

Garrett Dalton Martin (CRD #6225597)
Trophy Club, Texas
(December 11, 2017)
FINRA Case #2015047127702

Kevin Allen Mee (CRD #6262993)
Salinas, California
(December 4, 2017)
FINRA Case #2017054463901

Hong Kun Pan (CRD #5722308)
College Point, New York
(December 11, 2017)
FINRA Case #2016050091704

Youngsoo Park (CRD #6088276)
New York, New York
(December 18, 2017)
FINRA Case #2017054782501

Cornelius Peterson (CRD #5769919)
Boston, Massachusetts
(December 4, 2017)
FINRA Case #2017055058201

James S. Polese (CRD #2636427)
Wenham, Massachusetts
(December 4, 2017)
FINRA Case #2017055058101

Gary Dennis Ruiz (CRD #2551366)
Stony Brook, New York
(December 11, 2017)
FINRA Case #2017054030901

Lynn Shuster Strain (CRD #3032417)
North Charleston, South Carolina
(December 18, 2017)
FINRA Case #2017053136902

Jamie Yuvonne Strickland (CRD #5294385)
Ormond Beach, Florida
(December 4, 2017)
FINRA Case #2017054217301

Joseph Francis Valdini (CRD #5517610)
Farmingdale, New York
(December 18, 2017)
FINRA Case #2017052731101

Russell L. Woodley (CRD #5232542)
Pittsburgh, Pennsylvania
(December 18, 2017)
FINRA Case #2017054370201

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

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

Robert Anthony Powers (CRD #2236389)
West Chester, Pennsylvania
(November 3, 2015 – December 13, 2017)
FINRA Case #2014041244002

William Fitzgerald White (CRD #2168943)
San Diego, California
(December 19, 2017)
FINRA Case #2015048104602

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.)

Stephen Robert Adams (CRD #5411560)
Alabaster, Alabama
(December 22, 2017)
FINRA Case #2017055716101

Walter Lee Clark (CRD #1803139)
Fulton, Maryland
(December 26, 2017)
FINRA Case #2017055960401

Chelsea Lauren Clemons-Denby (CRD #6367012)
Jacksonville, Florida
(December 18, 2017)
FINRA Case #2017053438601

Ethan Frederick Daubert (CRD #6289970)
Lebanon, Pennsylvania
(November 27, 2017 – December 29, 2017)
FINRA Case #2017055163701

Truitt Scott Ficklin (CRD #6253265)
Alexandria, Indiana
(December 8, 2017)
FINRA Case #2017055548901

Philip William Formwalt (CRD #6072038)
St. Simon Island, Georgia
(December 8, 2017)
FINRA Case #2017055479901

Lawrence E. Hagedorn (CRD #1794077)
Andover, Kansas
(December 18, 2017)
FINRA Case #2017055654101

Raymond Woody Hooker (CRD #6084635)
Grand Blanc, Michigan
(December 18, 2017)
FINRA Case #2017054489801

Brian Patrick Hurley (CRD #5587230)
Plymouth, Massachusetts
(December 8, 2017)
FINRA Case #2017054610101

Lindsey Marie Katula (CRD #6617017)
Harrisonburg, Virginia
(December 7, 2017)
FINRA Case #2017055538001

Jason Harris Klabal (CRD #2910714)
Long Island City, New York
(December 4, 2017)
FINRA Case #2015047602802

Richard James Murphy (CRD #1016183)
New York, New York
(December 8, 2017)
FINRA Case #2017053489901

James Albert Pettit (CRD #733916)
West Hartford, Connecticut
(December 22, 2017)
FINRA Case #2017054428401

Michael Alan Sadouskas (CRD #6633096)
Villa Hills, Kentucky
(December 8, 2017)
FINRA Case #2017055661401

John Greg Schmidt (CRD #708094)
Bellbrook, Ohio
(December 26, 2017)
FINRA Case #2017056103801

John Joseph Silvernale (CRD #6494744)
Saint Michael, Minnesota
(December 11, 2017)
FINRA Case #2017055435701

Casey Tyler Thompson (CRD #5705303)
Paia, Hawaii
(December 11, 2017)
FINRA Case #2017055740601

Aaron Bronelle Wilbanks (CRD #1983697)
Oklahoma City, Oklahoma
(December 29, 2017)
FINRA Case #2017055913501

Sara Wilhite (CRD #6624861)
Vista, California
(December 11, 2017)
FINRA Case #2017055517301

Bradley Curtis Williams (CRD #5622102)
Hilton, New York
(December 29, 2017)
FINRA Case #2017053675001

Brandon M. Williams (CRD #6270075)
Madison, Wisconsin
(December 18, 2017)
FINRA Case #2017055123601

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

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

Patrick John Auckland (CRD #5951811)
Auburn Hills, Michigan
(December 20, 2017)
FINRA Arbitration Case #17-00817

Michael Albert DiPietro (CRD #2811047)
Pasadena, California
(June 8, 2015 – December 1, 2017)
FINRA Case #2014043087601/ARB140066

Laurie Anne Facsina (CRD #1898943)
Twinsburg, Ohio
(December 18, 2015 – December 19, 2017)
FINRA Case #2015046597901/ARB150039/
Arbitration Case #11-03113

Joseph Manuel Focil (CRD #5478551)
Studio City, California
(December 7, 2017)
FINRA Arbitration Case #16-00039

Christopher Lee Goslin (CRD #1720162)
Tampa, Florida
(December 4, 2017)
FINRA Arbitration Case #16-02756

Matthew Grady (CRD #4362567)
Sterling, Massachusetts
(December 14, 2017)
FINRA Case #2017054357401/ARB170025

Charles Acheson Laverty (CRD #4875386)
Newport Beach, California
(December 12, 2017)
FINRA Arbitration Case #16-01270

Anthony Minerva (CRD #2557946)
Valley Stream, New York
(February 13, 2017 – December 28, 2017)
FINRA Arbitration Case #16-01204

James William Stanton Jr. (CRD #5725850)
Roseville, California
(December 4, 2017)
FINRA Arbitration Case #17-00747

Joseph Morris Thurnherr (CRD #5045624)
Matawan, New Jersey
(December 21, 2017 – January 3, 2018)
FINRA Arbitration Case #16-01460

Darren Thomas Walton (CRD #2936629)
Inglewood, California
(December 1, 2017)
FINRA Arbitration Case #15-02809

FINRA Fines Merrill Lynch $1.4 Million for Supervisory Deficiencies Related to Extended Settlement Transactions

The Financial Industry Regulatory Authority (FINRA) fined Merrill Lynch, Pierce, Fenner & Smith Incorporated $1.4 million for failing to establish a reasonable supervisory system and procedures to identify and evaluate extended settlement transactions, and for related rule violations.

Extended settlement transactions have a longer time between trade and settlement than routine securities transactions, and therefore involve an extension of credit and exposure to counterparty, credit and market risk. As a result of its supervisory deficiencies, Merrill failed to collect adequate margin to offset this risk, improperly extended credit to cash-account customers, and miscalculated its outstanding margin and net capital.

FINRA found that from at least April 2013 through June 2015, Merrill's customers engaged in extended settlement transactions with notional values of hundreds of millions of dollars across numerous firm product lines. Despite the prevalence of these transactions, Merrill's supervisory system, including written supervisory procedures, was not reasonably designed to identify and evaluate extended settlement transactions for compliance with margin and net capital rules. Consequently, Merrill's computation of margin requirements and net capital deductions for tens of thousands of extended settlement transactions was inaccurate, resulting in margin rule and net capital violations, as well as inaccurate books and records and FOCUS Report filings.

FINRA also found that Merrill improperly extended hundreds of millions of dollars of margin credit in numerous retail customers' cash accounts, in violation of Regulation T. These transactions should only have been permitted in margin accounts, not in customer cash accounts.

Merrill knew that its supervisory system was not reasonably designed to achieve compliance in connection with extended settlement transactions by April 2013. However, Merrill failed to implement any remedial measures until mid-2014. Moreover, Merrill failed to establish a firm-wide supervisory system and written procedures to address extended settlement transactions until mid-2015. FINRA found that Merrill's failures to promptly address the deficiencies after it knew about them unreasonably delayed its compliance with applicable margin, net capital, and books and records rules, as well as Regulation T.

Susan Schroeder, FINRA Executive Vice President, Department of Enforcement, said: "Firms that engage in extended settlement transactions must implement a supervisory system and procedures reasonably tailored to ensure compliance with applicable rules such as margin and net capital rules, as well as Regulation T. Furthermore, firms that are aware of deficiencies in their supervisory systems must promptly remediate them."

In settling **this matter**, Merrill Lynch neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Fines Raymond James Financial Services, Inc. $2 Million for Failing to Reasonably Supervise Email Communications

The Financial Industry Regulatory Authority (FINRA) fined Raymond James Financial Services, Inc. $2 million for failing to maintain reasonably designed supervisory systems and procedures for reviewing email communications. In addition, Raymond James has agreed to conduct a risk-based retrospective review to detect potential violations evidenced in past emails.

FINRA found that during a nine-year review period, Raymond James' email review system was flawed in significant respects, allowing millions of emails to evade meaningful review. This created the unreasonable risk that certain misconduct by firm personnel could go undetected by the firm. The combinations of words and phrases—otherwise known as the "lexicon"—used to flag emails for review were not reasonably designed to detect certain potential misconduct that Raymond James, in light of its size, structure, business model, and experience from prior disciplinary actions, knew or should have anticipated would recur from time to time. The firm also failed to devote adequate personnel and resources to the team that reviewed emails flagged by the system, even as the number of emails increased over time.

FINRA also found that Raymond James did not periodically test the configuration and effectiveness of its lexicon-based email surveillance system. The firm's primary focus was reducing the number of "false positives" that would need to be reviewed rather than ensuring that the system was effectively identifying all potentially problematic categories of emails.

Susan Schroeder, FINRA Executive Vice President, Department of Enforcement, said, "Firms have a clear obligation to reasonably supervise electronic communications, which includes periodically re-evaluating the effectiveness of existing procedures. They should also assess whether their e-mail review and supervisory systems are reasonably designed in light of each firm's business model."

In addition, FINRA found that the firm unreasonably excluded from email surveillance certain firm personnel who serviced customer brokerage accounts. Raymond James also failed to apply its entire lexicon to the emails of approximately 1,300 registered representatives who worked in branches that hosted their own email servers.

In settling this matter, Raymond James neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Fines J.P. Morgan Securities LLC $2.8 Million for Customer Protection Rule Violations and Supervisory Failures

The Financial Industry Regulatory Authority (FINRA) fined J.P. Morgan Securities $2.8 million for violating the Securities and Exchange Commission's (SEC) Customer Protection Rule and for related supervisory failures. The SEC rule creates requirements to protect customers' funds and securities.

To ensure that customers could recover their assets in the event of the broker-dealer's insolvency, the Customer Protection Rule requires a broker-dealer, which maintains custody of customer securities, to obtain and maintain physical possession or control over certain of those securities. These securities must be segregated in a "control location" and be free of liens or any other encumbrance that could prevent customers from taking possession of their securities. A firm cannot use segregated securities for its own purposes.

FINRA found that from March 2008 to June 2016, J.P. Morgan Clearing Corp. did not have reasonable processes in place to ensure that its possession or control systems were operating properly. Shares that should have been segregated were available for the firm's use, due to systemic coding and design flaws, recurring and unresolved deficits and unreasonable supervision. By failing to move and maintain securities in good control locations, the firm created deficits in foreign and domestic securities valued at hundreds of millions of dollars. For example, J.P. Morgan failed to move Italian securities to a good control location for nearly two years, and on one sample day, created a deficit in 81 Italian securities worth approximately $146 million.

"Firms have a fundamental responsibility to safeguard the securities of their customers," said Susan Schroeder, Executive Vice President of FINRA's Department of Enforcement. "The Customer Protection Rule is an important component of investor protection, and member firms must have reasonably designed and maintained systems and procedures to comply with the possession and control requirements."

In determining the appropriate monetary sanction, FINRA considered J.P. Morgan's cooperation in undertaking a plan to address the violations and that it over-reserved cash deposits in an effort to protect customers from its failed segregation of securities. In settling **this matter**, J.P. Morgan neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Sanctions Citigroup Global Markets Inc. $11.5 Million for Displaying Inaccurate Research Ratings

The Financial Industry Regulatory Authority (FINRA) fined Citigroup Global Markets Inc. (CGMI) $5.5 million and required the firm to pay at least $6 million in compensation to retail customers for displaying inaccurate research ratings for numerous equity securities during a nearly five-year period, and for related supervisory violations.

An equity research rating reflects a firm's opinion of the future performance of a public security. CGMI disseminated its research ratings to customers on account statements, email alerts and an online portal. CGMI brokers and supervisors, meanwhile, relied on internally disseminated research ratings to make security recommendations and to monitor customer transactions and portfolio allocations.

FINRA found that from February 2011 through December 2015, CGMI displayed to its brokers, retail customers and supervisors inaccurate research ratings for more than 1,800 equity securities—more than 38 percent of those covered by the firm. Because of errors in the electronic feed of ratings data that the firm provided to its clearing firm, the firm either displayed the wrong rating for some covered securities (e.g., "buy" instead of "sell"), displayed ratings for other securities that CGMI did not cover or failed to display ratings for securities that CGMI, in fact, rated. The firm's actual research reports, which were available to brokers, and the research ratings appearing in those reports, were not affected by these errors.

The inaccuracies in the research ratings feed had widespread, adverse consequences. As a result of the errors, CGMI brokers solicited thousands of transactions inconsistent with the firm's actual ratings and negligently made inaccurate statements to customers about those ratings. They also solicited transactions that violated certain firm-managed portfolio guidelines, which were premised on CGMI research ratings. For example, the portfolios were prohibited from containing equity securities the firm had rated "sell." Because CGMI brokers relied on inaccurately displayed ratings, many customers' portfolios improperly included "sell"-rated securities. CGMI supervisors, relying on those same inaccurate ratings, failed to detect and prevent a substantial number of transactions that were actually inconsistent with CGMI research or portfolio guidelines. The firm also made materially inaccurate statements and omissions regarding more than 19,000 research ratings on customer account statements, sent more than 1,000 customer email alerts with inaccurate ratings, and displayed inaccurate ratings on online portals available to customers.

The firm failed to timely correct the inaccurately displayed ratings, despite numerous red flags alerting the firm to ratings inaccuracies for several securities. The firm also failed to conduct testing reasonably designed to verify the accuracy of research ratings data that it used and distributed.

Susan Schroeder, FINRA Executive Vice President and Head of Enforcement, said, "Member firms must reasonably ensure that the research rating information that they display and on which they rely to supervise business activities is complete and correct. The display and use of incomplete and inaccurate research ratings can have widespread, adverse consequences to customers. Even when such inaccuracies are caused by technology problems, firms should react quickly to address those errors."

In assessing sanctions, FINRA has recognized CGMI's cooperation, including, among other things, that the firm self-reported the research rating issues to FINRA, established a remediation plan to compensate affected customers, and provided substantial assistance to FINRA in its investigation.

In settling **this matter**, CGMI neither admitted nor denied the charges, but consented to the entry of FINRA's findings.