Detecting, Preventing, and Investigating Fraud and Misappropriation
Wednesday, May 17
1:45 p.m. – 2:45 p.m.

This session focuses on recent or noteworthy fraud cases. FINRA staff and panelists highlight emerging trends in securities fraud, provide tips to identify potential “red flags,” and discuss who to contact if a fraudulent scheme is suspected.

Moderator: Cameron Funkhouser
Executive Vice President
FINRA Office of Fraud Detection and Market Intelligence

Panelists: Anthony Cavallaro
Senior Vice President
FINRA Office of Fraud Detection and Market Intelligence

Jennifer Diamantis
Chief, Office of Market Intelligence, Division of Enforcement
U.S. Securities and Exchange Commission (SEC)

BJ Kang
Special Agent
Federal Bureau of Investigation (FBI)

Susan Schroeder
Senior Vice President and Counsel
FINRA Enforcement
Detecting, Preventing, and Investigating Fraud and Misappropriation Panelist Bios:

Moderator:

Cameron Funkhouser is Executive Vice President of FINRA’s Office of Fraud Detection and Market Intelligence. He has been with FINRA, formerly known as NASD, since 1984, serving in various roles of increasing responsibility with a focus on the surveillance of securities traded on The Nasdaq Stock Market, New York Stock Exchange, American Stock Exchange and the over-the-counter markets. Mr. Funkhouser has extensive experience conducting securities fraud investigations and is regularly called upon by civil and criminal law enforcement authorities to provide training, technical assistance, investigative/litigation strategy consulting and expert testimony. Currently, he is responsible for overseeing the Office of Fraud Detection and Market Intelligence, which includes the Insider Trading and Fraud Surveillance units responsible for monitoring the trading activity of more than 10,000 publicly traded securities, FINRA’s Complaint Center and FINRA’s Whistleblower program. Mr. Funkhouser and his staff have been responsible for uncovering numerous cases of Internet fraud, insider trading, market manipulation, Ponzi schemes and other white collar misconduct, which have been successfully investigated and prosecuted by FINRA, the Securities and Exchange Commission and other law enforcement agencies across the country and internationally. He graduated from Georgetown University with a bachelor’s degree in business and George Mason University with a law degree. Mr. Funkhouser is a member of the Virginia State Bar.

Panelists:

Anthony Cavallaro is a senior vice president and the head of the Central Review Group of FINRA’s Office of Fraud Detection and Market Intelligence. He is responsible for managing two units that review and investigate regulatory filings, complaints and other matters received regarding violations of SEC and FINRA rules and regulations. Mr. Cavallaro reports to the Department’s Executive Vice President. Prior to his current role, Mr. Cavallaro was a vice president in the Member Regulation Department and also served in the Enforcement Department of FINRA where he managed two units that investigated and prosecuted violations of securities laws and regulations. Mr. Cavallaro was a vice president at the New York Stock Exchange and began serving at FINRA when NYSE Member Regulation and Enforcement consolidated with NASD to form FINRA in 2007. Prior to joining the NYSE in 1997, Mr. Cavallaro was an Assistant District Attorney in the New York County District Attorney’s Office where he was responsible for investigating and prosecuting various criminal matters including white-collar cases. Mr. Cavallaro received his law degree from St. John’s University School Law and a B.S. in finance from Fordham University, College of Business Administration. He is a military veteran and retired with the rank of major after 20 years of service in the US Army Reserve.

Jennifer Diamantis is the Chief of Office of Market Intelligence (OMI) in the Securities and Exchange Commission’s Enforcement Division. OMI conducts a broad range of intelligence activities to identify potential securities law violations, generate investigative leads and analytical insights, and protect investors. OMI also maintains strong relationships and coordinates closely with self-regulatory organizations (SROs), regulatory and law enforcement agencies, and other entities. As part of its responsibilities, OMI collects, analyzes, evaluates, and disseminates tips, complaints, and referrals submitted to the SEC by the public, whistleblowers, SROs, exchanges, domestic and foreign government agencies, and other sources. Before joining the SEC, Ms. Diamantis was a Managing Counsel and Senior Counsel with the Consumer Financial Protection Bureau’s Division of Research, Markets, and Regulations. Before that, Ms. Diamantis was Supervisory Counsel in the Federal Deposit Insurance Corporation’s Enforcement Section and oversaw enforcement activities and investigations involving state chartered banks and bank failures. She has also served as a Senior Trial Attorney in the Commodity Futures Trading Commission’s Division of Enforcement, where she investigated and prosecuted fraud and market manipulation cases. Prior to her government service, Ms. Diamantis was a partner and associate at the law firm of Schnader Harrison Segal & Lewis LLP for 10 years. Ms. Diamantis received her law degree from the University of Michigan Law School and her bachelor of arts degree with honors from the University of Florida.

BJ Kang is a Special Agent with the Federal Bureau of Investigation (FBI). He is currently assigned to the FBI Washington Field Office (WFO) working criminal cyber intrusion matters with a focus on financially motivated cyber threat actors targeting U. S. capital markets. Prior to his current assignment at WFO,
Special Agent BJ Kang was a Supervisory Special Agent assigned to the National Cyber Investigative Joint Task Force (NCIJTF) Financial Pursuit Team/Virtual Currency Team managing sophisticated cyber investigations with a financial nexus. Prior to his supervisory role with NCIJTF, Special Agent BJ Kang was assigned to the FBI New York Office working complex securities fraud matters, including insider trading by hedge funds, accounting fraud, and market manipulation. Prior to becoming an FBI Special Agent, BJ Kang was a Special Agent with the Naval Criminal Investigative Service (NCIS).

Susan Schroeder is the Deputy Chief of FINRA’s Department of Enforcement, responsible for Enforcement’s home office in New York. Prior to joining FINRA, she was a partner in WilmerHale’s Securities Litigation and Enforcement practice, where she specialized in SEC, FINRA, and state enforcement actions. She began her legal career as a litigation associate at Kirkland & Ellis. She received her J.D. from NYU School of Law, her M.A. from the University of California at Davis, and her B.A. from Georgetown University. She is a member of the New York bar.
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Panelists

Moderator

- Cameron Funkhouser, Executive Vice President, FINRA Office of Fraud Detection and Market Intelligence

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- Anthony Cavallaro, Senior Vice President, FINRA Office of Fraud Detection and Market Intelligence
- Jennifer Diamantis, Chief, Office of Market Intelligence, Division of Enforcement, U.S. Securities and Exchange Commission (SEC)
- BJ Kang, Special Agent, Federal Bureau of Investigation (FBI)
- Susan Schroeder, Senior Vice President and Counsel, FINRA Enforcement
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Resources

FINRA Investor Alerts

- Binary Options Follow-Up Schemes: Don’t Lose Money Twice (March 16, 2017)
  www.finra.org/investors/alerts/binary-options-follow-schemes-dont-lose-money-twice

- Public Non-Traded REITs – Perform a Careful Review Before Investing (November 30, 2016)
  www.finra.org/investors/alerts/public-non-traded-reits-careful-review

- Binary Options: These All-Or-Nothing Options Are All-To-Often Fraudulent (November 11, 2016)
  www.finra.org/investors/alerts/binary-options

- It Can Be Hard to Recover from “Recovery” Scams (September 19, 2016)
  www.finra.org/investors/alerts/it-can-be-hard-to-recover-from-recovery-scams

- Updated: Beware of Fake Check Scams (August 31, 2016)
  www.finra.org/investors/alerts/beware-fake-check-scams

- Boiler Room Alert: If You Get a Call Like This, Don’t Bite – and Don’t Buy (August 4, 2016)
  www.finra.org/investors/alerts/boiler-room-alert-if-you-get-call-dont-bite-dont-buy

- Stock-Based Loan Programs: What Investors Need to Know (May 17, 2016)
  www.finra.org/investors/alerts/stock-based-loan-programs-what-investors-need-know

- Crowdfunding and the JOBS Act: What Investors Should Know (May 16, 2016)
  www.finra.org/investors/alerts/crowdfunding-and-jobs-act-what-investors-should-know

FINRA News Releases

- FINRA Receives SEC Approval on Rule Proposal Addressing Financial Exploitation of Seniors
  (March 30, 2017)
• FINRA and Exchanges Charge Lek Securities and CEO Samuel F. Lek with Aiding and Abetting Securities Fraud (March 27, 2017)

• Binary Options Follow-Up Schemes: Don’t Lose Money Twice (March 16, 2017)
  www.finra.org/newsroom/2017/binary-options-follow-schemes-dont-lose-money-twice

• FINRA Hearing Panel Expels Red River Securities, LLC and Bars CEO Brian Keith Hardwick for Fraud; Ordered to Pay $24.6 Million in Restitution to Investors (February 14, 2017)

• FINRA Expels Lawson Financial and Bars CEO Robert Lawson for Fraudulent Municipal Bond Sales (February 2, 2017)

• FINRA Files Rule Proposal with SEC to Protect Seniors and Other Vulnerable Adults From Financial Exploitation (October 20, 2016)

• FINRA Hearing Panel Sanctions Avenir Financial Group and Bars Former CEO Michael Todd Clements for Fraud (September 20, 2016)
  www.finra.org/newsroom/2016/finra-hearing-panel-sanctions-avenir-financial-group-and-bars-former-ceo-fraud

• Victims of “Recovery” Scams Find it Difficult to Recoup Losses (September 19, 2016)
  www.finra.org/newsroom/2016/victims-recovery-scams-find-it-difficult-recoup-losses-0

• FINRA Warns Investors About Boiler Room Scams (August 4, 2016)
  www.finra.org/newsroom/2016/finra-warns-investors-about-boiler-room-scams

• FINRA Files Complaint Charging Broker with Fraudulently and Excessively Trading Accounts of Elderly, Blind Widow (August 1, 2016)

• FINRA Fines Prudential Annuities Distributors, Inc. $950,000 for Failing to Prevent Theft of $1.3 Million From Elderly Customer’s Variable Annuity Account (July 19, 2016)

• FINRA Fines Deutsche Bank Securities Inc. $6 Million for Submitting Inaccurate and Late Blue Sheet Data (June 29, 2016)
• FINRA Offers What Investors Should Know about Crowdfunding (May 13, 2016)
  www.finra.org/newsroom/2016/finra-offers-what-investors-should-know-about-crowdfunding

• FINRA Fines Stephens Inc. $900,000 for Inadequate Supervision of Research Department “Flash” Emails (May 11, 2016)
  www.finra.org/newsroom/2016/finra-fines-stephens-inc-900000-inadequate-supervision-research-department-flash

Other Resources

• Actions Resulting from Referrals to Federal and State Authorities
  www.finra.org/newsroom/actions-resulting-referrals-federal-and-state-authorities