

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF MARKET  
REGULATION,

Complainant,

v.

JOHN JOSEPH VAUGHAN  
(CRD No. 1495636),

Respondent.

Disciplinary Proceeding  
No. 20120318775-01

Hearing Officer—Andrew H. Perkins

**DEFAULT DECISION**

June 29, 2015

**Respondent is barred from associating with any FINRA member firm in any capacity for failing to appear and provide on-the-record testimony, in violation of FINRA Rules 8210 and 2010.**

**Appearances**

Manuel Yanez, Esq., Tina Salehi Gubb, Esq., and James J. Nixon, Esq., for the Department of Market Regulation, Complainant.

No appearance by or on behalf of John Joseph Vaughan, Respondent.

**DECISION**

**I. Introduction**

FINRA's Department of Market Regulation initiated this disciplinary proceeding against John Joseph Vaughan by filing the attached Complaint with FINRA's Office of Hearing Officers. Vaughn was formerly a registered securities broker and the compliance manager at FINRA member firm HFP Capital Markets LLC. The Complaint alleges that Vaughan violated FINRA Rules 8210 and 2010<sup>1</sup> by failing to appear and provide on-the-record testimony in connection with Market Regulation's investigation of whether HFP Capital had charged unfair prices to its customers and had failed to adequately supervise its registered brokers.

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<sup>1</sup> FINRA's Rules are available at [www.finra.org/rules](http://www.finra.org/rules).

Vaughan failed to answer or otherwise respond to the Complaint. Accordingly, on June 8, 2015, Market Regulation filed a Motion for Entry of Default Decision (“Default Motion”).<sup>2</sup> Vaughan did not respond to the Default Motion.

The Hearing Officer finds Vaughan in default, grants Market Regulation’s Default Motion, and deems the allegations in the attached Complaint admitted pursuant to FINRA Rules 9215(f) and 9269(a).

## **II. Findings of Fact and Conclusions of Law**

### **A. Vaughan’s Background**

Vaughan first entered the securities industry in 1985 and thereafter worked at eight broker-dealers before joining HFP Capital in 2011.<sup>3</sup> Vaughan was last registered with FINRA through HFP Capital as a general securities representative and general securities principal from July 2011 until April 1, 2013.<sup>4</sup> Since then Vaughan has not been associated with a FINRA member.<sup>5</sup>

### **B. FINRA’s Jurisdiction**

FINRA has jurisdiction over this disciplinary proceeding pursuant to Article V, Section 4(a) of FINRA’s By-Laws. Market Regulation filed the Complaint within two years after FINRA terminated Vaughan’s registration, and the Complaint alleges that Vaughan failed to provide information requested by FINRA pursuant to FINRA Rule 8210 while he was subject to FINRA’s jurisdiction.<sup>6</sup>

### **C. Origin of the Investigation**

Market Regulation’s Fixed Income Investigations Section began investigating HFP Capital’s pricing of corporate bond transactions executed between October 1, 2011, and December 31, 2011. FINRA staff later expanded the review period to cover the period October 1, 2011, through March 13, 2013. During the investigation, the staff learned that Vaughan was the person responsible for reviewing the reasonableness of the mark ups and mark downs the firm charged on each of the questioned corporate bond transactions during the review period. Thus, to investigate further, the staff sought to question Vaughan at an on-the-record interview. Market Regulation initiated this proceeding because Vaughan failed to appear for an on-the-record interview.

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<sup>2</sup> A declaration (“Yanez Decl.”) and exhibits labeled CX-1 through CX-7 support the Default Motion.

<sup>3</sup> CX-2, at 2.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> See Article V, Sec. 4(a), FINRA By-Laws, [www.finra.org/Rules](http://www.finra.org/Rules) (then follow “FINRA Manual” hyperlink to “Corporate Organization: By-Laws”).

#### **D. Vaughan's Default**

On March 18, 2015, Market Regulation served Vaughan with the First Notice of Complaint and Complaint by first-class and certified mail at his residential address recorded in the Central Registration Depository ("CRD address").<sup>7</sup> Market Regulation also sent the First Notice of Complaint and Complaint by electronic mail.<sup>8</sup> The package mailed via U.S. Postal Service, along with an unsigned return receipt, was returned unopened to Market Regulation.<sup>9</sup> Vaughan's Answer was due on or before April 15, 2015. Vaughan did not file an answer or otherwise respond to the Complaint.

On April 16, 2015, Market Regulation served Vaughan with the Second Notice of Complaint and Complaint by first-class and certified mail at his residential address recorded in CRD.<sup>10</sup> Market Regulation also sent the Second Notice of Complaint and Complaint by electronic mail.<sup>11</sup> The package mailed via U.S. Postal Service, along with an unsigned return receipt, was returned unopened to Market Regulation.<sup>12</sup> Vaughan's Answer was due on or before May 4, 2015. Vaughan did not file an answer or otherwise respond to the Complaint.

The Hearing Officer finds that Market Regulation properly served Vaughan with the Complaint and that Vaughan received valid constructive notice of this proceeding.<sup>13</sup> The Hearing Officer further finds that Vaughan defaulted by failing to file an Answer. Accordingly, the Hearing Officer deems the allegations in the attached Complaint admitted pursuant to FINRA Rules 9215(f) and 9269(a).

#### **E. Failure to Respond to FINRA Rule 8210 Requests for Testimony**

The Complaint alleges that Vaughan failed to respond to two requests pursuant to FINRA Rule 8210 to appear and provide sworn testimony.

On June 19, 2014, Market Regulation sent Vaughan a request pursuant to FINRA Rule 8210 for him to appear and testify under oath on July 7, 2014, at FINRA's offices in Rockville, Maryland.<sup>14</sup> Market Regulation sent the June 19, 2014 request to Vaughan's CRD address by certified mail, return receipt requested.<sup>15</sup>

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<sup>7</sup> Yanez Decl. ¶ 10; CX-3.

<sup>8</sup> *Id.*

<sup>9</sup> Yanez Decl. ¶ 11.

<sup>10</sup> Yanez Decl. ¶ 12; CX-4.

<sup>11</sup> *Id.*

<sup>12</sup> Yanez Decl. ¶ 11.

<sup>13</sup> *See, e.g., Dep't of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at \*20-21 n.21 (NAC June 3, 2014), *appeal docketed*, SEC Admin. Proc. No. 3-15964 (July 3, 2014).

<sup>14</sup> Yanez Decl. ¶ 16; CX-5.

<sup>15</sup> *Id.*

On June 25, 2014, Vaughan responded by telephone and left a voicemail indicating that it would be difficult for him to appear for testimony in FINRA's Rockville office.<sup>16</sup> On June 27, 2014, FINRA staff rescheduled the on-the-record interview for July 18, 2014, in FINRA's New York City office.<sup>17</sup> On June 30, 2014, Vaughan indicated to FINRA staff he was unavailable on July 18. Accordingly, FINRA staff rescheduled the on-the-record interview for August 8, 2014, at FINRA's New York City office.<sup>18</sup>

On August 3, 2014, Vaughan sent the staff an email indicating that he had been "advised by counsel not to participate in the August 8, 2014 on the record review, therefore [he would] not be attending."<sup>19</sup> Vaughan did not appear for an on-the-record interview on August 8, 2014.<sup>20</sup>

### **III. Sanctions**

FINRA's Sanction Guidelines ("Guidelines") advise that a bar in all capacities should be standard if an individual did not respond in any manner to a Rule 8210 request for information.<sup>21</sup>

The Guidelines direct adjudicators to consider the importance of the information requested as viewed from FINRA's perspective.<sup>22</sup> Here, FINRA staff was investigating serious misconduct involving overpricing of corporate bond transactions, and Vaughan's failure to respond had a significant, negative impact on FINRA's investigation of this potentially egregious misconduct.<sup>23</sup> On the other hand, there are no mitigating factors. Accordingly, the Hearing Officer bars Vaughan from associating with any FINRA member firm in any capacity for violating FINRA Rules 8210 and 2010, as alleged in the Complaint.

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<sup>16</sup> Compl. ¶ 6; Yanez Decl. ¶ 17.

<sup>17</sup> Compl. ¶ 8.

<sup>18</sup> Compl. ¶ 10.

<sup>19</sup> Compl. ¶ 12; Yanez Decl. ¶ 19; CX-6.

<sup>20</sup> Yanez Decl. ¶ 22.

<sup>21</sup> FINRA Sanction Guidelines at 33 (2015), <http://www.finra.org/SanctionGuidelines>.

<sup>22</sup> Guidelines at 33.

<sup>23</sup> Default Motion at 2.

#### IV. Order

Respondent John Joseph Vaughan is barred from associating with any member firm in any capacity for failing to appear and provide testimony, in violation of FINRA Rules 8210 and 2010. The bar shall become effective immediately if this Default Decision becomes the final disciplinary action of FINRA.



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Andrew H. Perkins  
Hearing Officer

Copies to: John Joseph Vaughan (*via overnight courier and first-class mail*)  
Manuel Yanez, Esq. (*via first-class and electronic mail*)  
Tina Salehi Gubb, Esq. (*via electronic mail*)  
James J. Nixon, Esq. (*via electronic mail*)

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
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**COMPLAINT**

The Department of Market Regulation alleges:

**Summary**

1. In connection with an investigation being conducted by the Department of Market Regulation (“Market Regulation”), Respondent John Joseph Vaughan (“Respondent” or “Vaughan”) refused to appear and provide testimony as requested by Market Regulation staff (the “staff”). As a result of the foregoing, Vaughan violated FINRA Rules 8210 and 2010.

**Respondent and Jurisdiction**

2. Vaughan first became employed in the securities industry in a registered capacity with a FINRA member firm in May 1985. Vaughan continued in the industry and was last registered with FINRA member HFP Capital Markets LLC (“HFPC” or the “firm”) from July 11, 2011 through April 1, 2013, when the firm filed a Form U5 terminating his registration.

3. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to

Article V, Section 4 of FINRA's By-Laws, because: (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with HFPC, namely, April 1, 2013, and (2) the Complaint charges him with failing to appear for testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

### **Statement of Facts**

4. In or about October 2012, the staff commenced an investigation of HFPC for potential violations of FINRA's fixed income best execution rules. According to filings with the Central Registration Depository System ("CRD"), Vaughan was the firm's Compliance Manager during relevant periods of the staff's investigation.

5. Accordingly, in connection with its investigation, on June 19, 2014, the staff sent Vaughan a written request that he appear for testimony at FINRA's offices in Rockville, Maryland, on July 7, 2014, pursuant to Rule 8210. The written request was sent to Vaughan via United States Certified Mail, Return Receipt Requested, at Vaughan's last known address as reflected in CRD. Vaughan signed for the letter on June 23, 2014.

6. Vaughan responded to the staff's Rule 8210 request telephonically on June 25, 2014, with a voicemail indicating that it would be difficult for him to appear for testimony, but indicated that he was willing to discuss the matter further.

7. On June 25, 2014, the staff called Vaughan who indicated that he was willing to be interviewed by FINRA, but stressed the hardship that coming to FINRA's Rockville office presented and indicated a willingness to be interviewed telephonically or in person in New York City.

8. The staff left Vaughan a voicemail on June 27, 2014, rescheduling his testimony for July 18, 2014, in FINRA's office in New York City, as he had requested.

9. Vaughan left a voicemail for the staff on June 30, 2014, indicating that he was unavailable on July 18, 2014.

10. On July 1, 2014, the staff spoke to Vaughan telephonically and modified the Rule 8210 request to require that he appear for testimony on August 8, 2014, at FINRA's offices at One Liberty Plaza in New York City. On that call, Vaughan confirmed that he would appear for testimony as requested.

11. On July 31, 2014, the staff left Vaughan a voicemail confirming the time and location of the August 8, 2014 testimony.

12. On August 3, 2014, Vaughan sent the staff an email indicating that he was "advised by counsel not to participate in the August 8, 2014 on the record interview, therefore [he would] not be attending." Vaughan further requested that all communications be conducted in writing by email or "US post as phone calls will not be honored."

13. On August 4, 2014, the staff emailed Vaughan explaining that his failure to appear for testimony could result in him being barred from the securities industry and requesting the contact information of his attorney, if represented, so that the staff could engage counsel in discussions. Vaughan did not respond to the staff's August 4, 2014 email.

14. The staff called Vaughan on August 6, 2014, to determine whether he was represented by counsel and, if so, to obtain the contact information for his attorney. Vaughan stated that all communications should be in writing and hung up.



15. The staff followed up the August 6, 2014, call with an email the same day reiterating the staff's request for the name and contact information of his attorney. Vaughan did not respond to that email.

16. On August 7, 2014, the staff sent a letter to Vaughan stating that he was required to appear for testimony on August 8, 2014 pursuant to FINRA Rule 8210. In addition, the letter detailed the steps the staff had taken to contact him and requested that Vaughan respond by August 13, 2014, with: "(i) the name and contact information of [his] counsel, (ii) a statement that [he was] not represented by counsel, or (iii) a statement that [he was] seeking to engage an attorney to represent [him] in this matter."

17. The August 7, 2014, letter was mailed via United States First Class Mail and Certified Mail, Return Receipt Requested, and sent via Federal Express to Vaughan at his last known address as reflected in CRD.

18. The August 7, 2014, letter sent via Federal Express was delivered on August 11, 2014.

19. The August 7, 2014, letter sent by United States Certified Mail was returned to the staff by the United States Postal Service unopened.

20. Vaughan did not appear and provide testimony on August 8, 2014, as requested by the staff.

21. Vaughan also has not responded to the staff's August 7, 2014 letter.

22. On August 15, 2014, the staff again called Vaughan and left a voicemail again reiterating that the staff needed to obtain the contact information, if any, of his counsel and asked that he return the call. Vaughan did not respond to that voicemail.

23. To date, Vaughan has failed to appear for and provide testimony in accordance with the staff's Rule 8210 request.

**FIRST CAUSE OF ACTION  
Failure to Respond to Rule 8210 Requests  
(FINRA Rules 2010 and 8210)**

24. Market Regulation realleges and incorporates by reference all preceding paragraphs.

25. As a result of the foregoing misconduct, Vaughan violated FINRA Rules 8210 and 2010.

## RELIEF REQUESTED

WHEREFORE, the Department of Market Regulation respectfully requests that the Panel:

- A. make findings of facts and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. grant all further relief, legal or equitable, that is warranted under the circumstances.

### FINRA DEPARTMENT OF MARKET REGULATION

Date: March 18, 2015



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