

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033566203**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Janet Lynn Ross, Respondent
Former General Securities Principal and Registered Representative
CRD No. 4381729

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Janet Lynn Ross ("Ross" or "Respondent") first entered the securities industry in April 2001 when she associated with a FINRA member firm. She obtained her Series 7 license in June 2001, her Series 24 license in September 2001, her Series 66 license in October 2003 and her Series 53 license in May 2005. Ross was registered with two other FINRA member firms between April 2006 and April 2012 when she became registered with Accelerated Capital Group, Inc. ("Accelerated" or the "Firm") where she served as the Firm's Chief Compliance Officer and Anti-Money Laundering Compliance Officer until her registration was terminated on March 10, 2017.

Although Ross is no longer associated with a FINRA member firm, FINRA retains jurisdiction over her pursuant to Article V, Section 4 of the FINRA By-Laws.

OVERVIEW

From August 31, 2012 through February 25, 2016 (the "Relevant Period"), while serving as the direct supervisor for all registered representatives in the Firm's Irvine, California branch office, Ross failed to reasonably supervise (i) BM,¹ a former registered representative, who made excessive, unsuitable, and unauthorized transactions in customer accounts; (ii) JLS,² a former registered representative, who made unauthorized exchanges of mutual funds in customer accounts; and (iii) other registered representatives at the branch, who improperly used pre-signed and altered customer forms. Ross thereby violated NASD Rules 3010(a) and 3010(e) and FINRA Rules 3110(a)³ and 2010.

Ross also failed to report or accurately report customer complaints and other required information, arising out of above-referenced actions of BM and JLS, to FINRA in violation of FINRA Rules 4530 and 2010.

FACTS AND VIOLATIVE CONDUCT

I. Ross's Failures to Supervise

NASD Rule 3010(a) and FINRA Rule 3110(a) require members to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with the applicable securities laws and regulations and with applicable FINRA rules. NASD Rule 3010(e) required members to investigate new hires prior to registration with the firm. FINRA Rule 2010 requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade.

A. Failures to Supervise Related to BM

i. Pre-hire Failure to Adequately Investigate

At the time Accelerated hired BM in August 2012, Ross was responsible for conducting a pre-hire assessment of each prospective employee. Prior to BM's hire, Ross, among others, was aware of red flags relating to BM's financial condition and termination from his prior broker-dealer for sales practice violations. However, Ross unreasonably relied upon BM's explanations and assurances to her with respect to these as well as other issues without further verification or investigation, which would have revealed other red flags, such as

¹ Pursuant to an AWC dated February 22, 2016, BM was barred from the securities industry for, among other violations, willfully violating Section 10(b) of the Securities Exchange Act of 1934.

² Pursuant to an AWC dated April 28, 2017, JLS was suspended for 3 months and fined \$5,000 for unauthorized mutual fund exchanges.

³ NASD Rule 3010 was replaced by FINRA Rule 3110 on December 1, 2014. Accordingly, Ross's supervisory failures prior to December 1, 2014 are in violation of NASD Rule 3010(a) and (e) and her supervisory failures after that date are in violation of FINRA Rule 3110(a).

additional indebtedness and BM's failure to disclose or to timely disclose some of that indebtedness on his Form U4.

ii. Excessive and Unsuitable Mutual Fund "A" Share Transactions

BM was initially placed on heightened supervision and was required to seek pre-approval of all trades for the first 90 days of his employment with Accelerated. Shortly after this 90 day period, BM began to employ a short-term mutual fund trading strategy in the accounts of at least 11 of his customers. From 2012 through 2014, BM made over 150 separate purchases of mutual fund "A" shares for these 11 customers, and subsequently sold them after an average holding period of less than six months. BM also spread some of the mutual fund purchases across multiple fund families, and in so doing, failed to obtain breakpoint discounts for the customers. These excessive and unsuitable mutual fund transactions cost the 11 customers over \$150,000 in commissions and fees.⁴ The mutual fund transactions in the accounts of at least nine of the 11 customers were unauthorized.

Ross's review of Accelerated's trade blotter and switch reports in connection with her review of BM's mutual fund transactions was not reasonable in that she failed to detect or prevent the excessive and unsuitable mutual fund transactions. Although Ross asked Accelerated for an exception report that would identify mutual funds that were sold after brief holding periods, when that request was denied, Ross took no further steps to improve her ability to identify short-term mutual fund holding periods with the tools available to her. When Ross did manage to identify questionable mutual fund transactions by BM, she sought explanations from him and accepted BM's explanations without any further follow-up. Had Ross engaged in reasonable follow-up by contacting the customers, she would have learned that BM's excessive mutual fund activity also was unauthorized in the accounts of at least nine of the 11 customers. Finally, in late 2013, Ross engaged a compliance consultant, more versed in trading, to review BM's trading in his customers' accounts, yet, despite additional concerns expressed by the consultant about the short-term mutual fund holding periods in the accounts of BM's customers, Ross still did not contact the customers and, no formal action was taken against BM for his excessive and unsuitable mutual fund transactions until he was placed on heightened supervision in March 2014.

iii. Equity Swing Trading

When BM was again placed on heightened supervision in March 2014, he decreased his mutual fund activity but increasingly employed a "swing trade" strategy involving the frequent trading of low-priced equities in the accounts of the same 11 customers. The swing trading strategy was based on "signals" BM obtained from a website that used chart analysis to identify securities to purchase and sell within days. From approximately October 2013 through the end of 2014,

⁴ Ross was paid an override on commissions earned by BM.

BM entered thousands of swing trades for the 11 customers resulting in collective losses of over \$700,000. The swing trade transactions in the accounts of at least nine of the 11 customers were unauthorized.

Ross's reviews of the Firm's trade blotters in connection with BM's swing trading were not reasonable in that she failed to detect or prevent the high volume of "swing trade" activity in the accounts of the 11 customers for close to a year. Although Ross asked Accelerated for an excessive trading exception report to assist her in reviewing the trading, when Accelerated denied this request, she took no further steps to enhance her ability to identify excessive trading with the tools available to her. Had she detected BM's excessive trading sooner and contacted BM's customers, Ross would have also learned that the "swing trades" in the accounts of at least nine of the 11 customers were unauthorized.

B. Failure to Supervise JLS

On or about August 25, 2015, JLS, without customer authorization, placed over 300 mutual fund sell orders in order 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 in that she failed to detect this unusual 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. In response to the complaint, Ross instructed JLS to reverse the complaining customer's trades at JLS's expense, but did not investigate further or contact the customer. When Ross learned that there might be additional customers involved, she questioned JLS about the trading but simply accepted his explanations for the numerous transactions without further investigation. While JLS restored the accounts of the affected customers to the holdings at the time of the unauthorized trades, as instructed by Ross, Ross never contacted any of the customers herself to follow up or to confirm that the customers were satisfied with the resolution.

C. Failure to Supervise Use of Pre-Signed and Altered Forms

In 2012, Ross identified several questionable customer forms in the Irvine branch's customer files. The customer forms included new account and distribution forms that had been reused or altered. Thereafter, Ross failed to prevent multiple uses of pre-signed and altered customer forms utilized by at least five registered representatives in the Irvine 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 exam staff in 2015.

By reason of the foregoing, Ross violated NASD Rules 3010(a) and (c) and FINRA Rules 3110(a) and 2010.

D. Rule 4530 Reporting Violations

FINRA Rule 4530 requires member firms to provide accurate complaint and disclosure filings to FINRA. Among other requirements, FINRA Rule 4530(a)(2) specifically requires the reporting of an associated person who is disciplined in any manner by the member firm that would have significant limitation on the individual's activities on a temporary or permanent basis, and 4530(d) requires reporting of summary information regarding written customer complaints. Violations of FINRA Rule 4530 also constitute violations of FINRA Rule 2010.

Pursuant to the Firm's procedures, Ross was obligated to comply with any Rule 4530 reporting obligations relating to registered representatives under her supervision. In January 2015, as a result of BM's excessive and unsuitable swing trading, Accelerated prohibited BM from engaging in any further commission-based securities transactions through the Firm. However, until FINRA barred BM through an AWC issued in February 2016, BM remained associated with Accelerated and continued his insurance business, sold alternative investments, and transferred some customer assets to an investment advisory firm affiliated with Accelerated. Ross never reported to FINRA BM's prohibition from engaging in commission-based securities transactions through Accelerated, as required by FINRA Rule 4530(a)(2).

For the complaints brought against JLS for unauthorized trading, Ross filed Form 4530(d) Reports in September 2015 and in January 2016 which inaccurately stated that the complaints concerned "Poor recommendation/ poor advice" when it, in fact, concerned "unauthorized trading."

By reason of the foregoing Ross violated FINRA Rules 4530(a)(2), 4530(d), and 2010.

B. I also consent to the imposition of the following sanctions:

- A suspension from association with any FINRA member in all principal capacities for a period of two years;
- A \$10,000 fine; and
- Disgorgement of commission overrides received, which is ordered to be paid to FINRA in the amount of \$21,836.00, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621, from January 28, 2015 until the date this AWC is accepted by the NAC.

The fine and disgorgement shall be due and payable either immediately upon re-association with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

I understand that this settlement includes a finding that I failed to supervise an individual who violated Section 10(b) of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief

Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

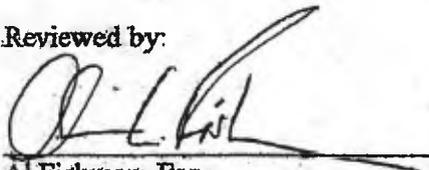
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

11/01/2017
Date (mm/dd/yyyy)


Janet Lynn Ross, Respondent

Reviewed by:


Al Fishman, Esq.
Counsel for Respondent
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(415) 788-4646

Accepted by FINRA:

December 13, 2017
Date

Signed on behalf of the
Director of ODA, by delegated authority


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