

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

Department of Enforcement,

Complainant,

v.

Gregory Scott Taylor
(CRD No. 1531557),

Respondent.

DISCIPLINARY PROCEEDING
No. 2014040523101

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From January 2014 through at least February 2014, Gregory Scott Taylor ("Taylor"), while employed as a registered associate by FINRA regulated broker-dealer Morgan Stanley Smith Barney LLC ("Morgan Stanley," or the "Firm"), engaged in unethical conduct involving BG, a Firm customer who was a 75-year-old widow. While BG was a Firm customer, Taylor was named as the beneficiary of BG's bank accounts, which held more than \$59,000 in funds. Also while associated with the Firm, Taylor was named as the executor of BG's estate, which contained at least \$2 million in assets, and given power of attorney over BG in the event she became incapacitated. In violation of the Firm's policies and procedures, Taylor failed to disclose to the Firm that he had been named as the beneficiary of BG's bank accounts, the executor of her estate, or her attorney-in-fact. By this conduct, Taylor violated FINRA Rule 2010.

2. In January 2014, Taylor also accepted a cash gift from Firm customer BG, which was prohibited by the Firm's policies and procedures. Approximately one month after accepting the cash gift from BG, Taylor submitted a compliance questionnaire to the Firm in which he falsely denied accepting any prohibited gifts from a Firm customer within the preceding twelve months. Taylor's acceptance of a prohibited cash gift from Firm customer BG and his false statement to the Firm violated FINRA Rule 2010.

RESPONDENT AND JURISDICTION

3. Taylor entered the securities industry in November 1986 and has been associated with several FINRA regulated broker-dealers. He obtained his Series 6 (Investment Company and Variable Contracts Products Limited Representative) License and his Series 7 (General Securities Representative) License in December 1986 and July 1987, respectively.

4. In March 2013, Taylor became associated with Morgan Stanley as a registered associate. On May 7, 2013, Taylor became registered with Morgan Stanley as a General Securities Representative. On April 15, 2014, Morgan Stanley filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") reporting that Taylor's association with the Firm had been terminated effective March 21, 2014 because he was named as a beneficiary in a customer's will, and obtained a fiduciary appointment from the customer, without disclosure to the Firm.

5. Taylor is not currently registered or associated with a FINRA regulated broker-dealer. Although Taylor is no longer registered or associated with a FINRA regulated broker-dealer, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (i) the Complaint was filed within two years of the effective termination date of Taylor's registration or association with a FINRA regulated

broker-dealer, namely April 15, 2014; and (ii) the Complaint charges Taylor with misconduct committed while he was registered or associated with a FINRA regulated broker-dealer.

FACTUAL BACKGROUND

6. BG was 75 years old at the time of the events relevant to the Complaint. She is a retired widow, employed prior to her marriage as a barber, with four adult children. BG's husband died in 2011. Until approximately January 2014, BG was a customer of MM, a Morgan Stanley registered representative based in Dallas, Texas. On or about February 25, 2014, BG transferred her assets out of Morgan Stanley. At all times relevant hereto, BG's accounts at Morgan Stanley were valued at or around \$2 million.

7. From March 2013 until he left the Firm in March 2014, Taylor worked as MM's registered associate. As part of his duties, Taylor spoke with MM's customers.

8. Taylor was introduced to BG in or around April 2013, approximately two years after BG's husband had passed away, when he spoke to her over the telephone at MM's office. At that time, BG was living alone in Carrollton, Texas. Early in their interactions, Taylor learned that BG was widowed and estranged from all but one of her children, and that her children lived in Florida and did not visit her.

9. Within a few months after being introduced to BG, Taylor established a personal relationship with BG. Taylor spoke with BG by telephone frequently, gave BG his personal cell phone number, and visited BG's home. After BG moved from Texas to Florida in late 2013, on at least three occasions – on or about January 17, 2014, February 14, 2014, and February 28, 2014 – Taylor flew from Texas to visit BG at her home in Florida. As described below, during

each of these three trips to see BG in Florida, Taylor engaged in unethical conduct with regard to BG.

10. Taylor did not disclose to MM, the Morgan Stanley broker for whom he worked, that he had visited BG, MM's customer, at her home in Texas, or that he had flown to visit BG in Florida.

11. In or around November 2014, BG was diagnosed with dementia.

12. In February 2015, a Texas probate court opened a proceeding to determine whether to appoint a guardian over BG. In September 2015, a Texas probate court entered an order appointing two permanent guardians, one over BG's person and one over her estate.

**FIRST CAUSE OF ACTION
FAILING TO DISCLOSE DESIGNATION AS BENEFICIARY
OF A CUSTOMER'S BANK ACCOUNTS
(FINRA RULE 2010)**

13. The Department realleges and incorporates by reference paragraphs 1 through 12 above.

14. FINRA Rule 2010 requires associated persons to observe high standards of commercial honor and just and equitable principles of trade. Failing to comply with a FINRA regulated broker-dealer's policies and procedures requiring the disclosure of beneficiary designations by customers violates FINRA Rule 2010.

15. The Firm's policies and procedures in effect at all times relevant to the Complaint required an employee who learned that he or she had been named as a beneficiary by a customer to immediately notify his or her supervising manager and receive approval for the bequest. The Firm's policies and procedures strongly discouraged employees from knowingly becoming

designated as a beneficiary under a customer's will, trust, IRA, TOD or other account or instrument that would take effect at death.

16. On or about February 14, 2014, Taylor accompanied BG to a Florida branch office of C. Bank, a financial institution where BG maintained checking and savings accounts.

17. On or about February 14, 2014, at the office of C. Bank with Taylor present, BG signed bank account forms that named Taylor as the beneficiary of BG's checking and savings accounts upon BG's death. BG's C. Bank accounts held in excess of \$59,000 at the time Taylor was named as their beneficiary.

18. BG was a Firm customer at the time she named Taylor as the beneficiary of her C. Bank accounts. Taylor failed to notify the Firm or obtain its approval to be named as the beneficiary of BG's bank accounts, in violation of the Firm's policies and procedures.

19. By failing to disclose to the Firm that he was named as the beneficiary of BG's bank accounts, which was required by the Firm's policies and procedures, Taylor violated FINRA Rule 2010.

**SECOND CAUSE OF ACTION
FAILING TO DISCLOSE EXECUTOR AND POWER OF ATTORNEY DESIGNATIONS
(FINRA RULE 2010)**

20. The Department realleges and incorporates by reference paragraphs 1 through 19 above.

21. Failing to abide by the policies and procedures of a FINRA regulated broker-dealer requiring the disclosure of fiduciary appointments violates FINRA Rule 2010.

22. The Firm's policies and procedures in effect at all times relevant to the Complaint prohibited a Firm employee from acting as a "fiduciary" for all non-family related persons,

including non-customers, without Firm approval. The Firm's policies and procedures defined "fiduciary" as including "Personal representatives," "Executors," "Administrators," and "Attorneys-in-fact (such as those holding a power of attorney or 'POA')." Firm approval was required before the employee was "knowingly named as a fiduciary ... even if the fiduciary relationship would not begin until a later time."

23. On or about February 14, 2014, Taylor accompanied BG to the office of a lawyer, whom Taylor had located, for the purpose of preparing BG's Last Will and Testament (the "Will"). The Will, which BG signed on or about February 25, 2014, named Taylor as the "Personal Representative" (*i.e.*, executor) of BG's estate. The Will also named Taylor as the primary beneficiary of BG's estate, which, as alleged above, contained at least \$2 million in assets based on the value of her brokerage accounts alone.

24. Based on Taylor's recommendation to BG, the lawyer also prepared a document that gave Taylor power of attorney over BG in the event that she became incapacitated (the "POA"). BG signed the POA on or about February 25, 2014.

25. On or about February 28, 2014, Taylor learned that BG had named him the executor of her estate and her attorney-in-fact, when BG showed Taylor copies of the executed Will and POA.

26. Although BG was no longer a customer of Morgan Stanley when Taylor learned that she had named him as the executor of her estate and her attorney-in-fact, the Firm's policies and procedures, as described above, prohibited Taylor from accepting a fiduciary appointment from a non-family related person absent Firm approval.

27. Taylor failed to notify the Firm or seek its approval to be named as the executor of BG's estate and her attorney-in-fact, as required by the Firm's policies and procedures, in violation of FINRA Rule 2010.

**THIRD CAUSE OF ACTION
ACCEPTING A PROHIBITED CASH GIFT FROM A CUSTOMER AND
SUBMITTING A FALSE QUESTIONNAIRE TO THE FIRM
(FINRA RULE 2010)**

28. The Department realleges and incorporates by reference paragraphs 1 through 27 above.

29. Accepting a gift from a customer in violation of a FINRA regulated broker-dealer's policies and procedures and making a false statement to a FINRA regulated broker-dealer violates FINRA Rule 2010.

30. The Firm's policies and procedures in effect at all times relevant to the Complaint prohibited employees from accepting gifts from "Covered Persons" who were not family members, subject to certain exceptions not applicable here. The Firm's policies and procedures defined "Covered Person" as including a Firm customer.

31. On or about January 17, 2014, BG gave Taylor at least \$300 in cash as a gift. On or about January 23, 2014, Taylor made a deposit of approximately \$600 into his own bank account, which included the gift of at least \$300 from BG, and used it for his personal use.

32. Taylor's acceptance of a cash gift from BG, a Firm customer, violated the Firm's policies and procedures.

33. On or about February 26, 2014, Taylor submitted to the Firm a questionnaire which answered "No" to a question which asked "Have you given to or received a gift from a 'Covered Person' over \$25 within the last 12 months"?

34. Taylor's response was false in that, as described above, he had received a cash gift for over \$25 from BG in January 2014, while BG was a Firm customer.

35. By accepting a customer gift in violation of the Firm's policies and procedures and making a false statement to the Firm about the gift on a questionnaire, Taylor violated FINRA Rule 2010.

RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Taylor 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; and
- C. order that Taylor bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: _____

4/11/16



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