

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043025701**

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

RE: Carlos Benavidez, Jr., Respondent
Registered Representative
CRD No. 5013554

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

Between August 2006 and February 2015, Carlos Benavidez, Jr. ("Benavidez") was registered as a General Securities Representative with Waddell & Reed, a FINRA-registered firm. Benavidez is currently registered as a General Securities Representative with another FINRA-registered firm.

RELEVANT DISCIPLINARY HISTORY

Benavidez has no relevant disciplinary history.

OVERVIEW

Between January 2013 and January 2015, Benavidez exercised discretion in 80 customer accounts without obtaining prior written authorization from the customers or prior written approval from his broker-dealer, Waddell & Reed, in violation of NASD Rule 2510(b) and FINRA Rule 2010.

On or about September 9, 2014, Benavidez participated in the backdating of 26 customer notes to falsely reflect that he or another representative had conversations with the customers on August 29, 2014, in violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Discretionary Trading

1. Beginning in or about December 2009, Benavidez and two other representatives registered with Waddell & Reed, S.R. and M.R., formed RBR Group, and thereafter shared a customer base and conducted securities business together.
2. Beginning in or about January 2013, Benavidez and S.R. met with the group's customers quarterly, and made periodic telephone calls to the customers, to discuss any changes to their investment profile that might affect the recommendations by RBR Group, and then recommended financial sectors, as opposed to specific securities, in which to invest. Benavidez and the two other members of RBR Group then met weekly to discuss whether any trades should be effected in their customers' accounts, and if so, M.R. placed the trades. M.R. notified, or attempted to notify the customers of the securities transactions in their accounts, after the trades were placed.
3. Between January 2013 and January 2015, Benavidez exercised discretion in effecting hundreds of securities transactions in approximately 80 customer accounts.
4. Benavidez did not obtain written authorization from his customers to exercise discretion in their accounts, and Waddell & Reed did not approve these accounts for discretionary trading in writing.

As a result of the foregoing conduct, Benavidez violated NASD Conduct Rule 2510(b) and FINRA Rule 2010.

False Documents

5. On or about September 2, 2014, RBR Group, acting through M.R., effected the same securities transaction in approximately 26 customer accounts.
6. As a result, on or about September 3, 2014, Waddell & Reed informed M.R. that the firm was investigating whether RBR Group had exercised discretion in customer accounts without written authorization.
7. On or about September 9, 2014, Benavidez and M.R. backdated approximately 26 customer notes that had been created in the firm's

SmartOffice program in order to falsely reflect that Benavidez or another member of the RBR Group had conversed with those customers on August 29, 2014, before the trades were effected on September 2, 2014.

8. In fact, it was not until on or about September 8, 2014, or six days later, when Benavidez or M.R. talked with the 26 customers about the trades that had been effected in their accounts.
9. Benavidez therefore caused the firm to have inaccurate records, a violation of Section 17a-3 of the Securities Exchange Act of 1934.

As a result of the foregoing conduct, Benavidez acted in contravention of just and equitable principles of trade and violated FINRA Rule 2010.

- B. I also consent to the imposition of the following sanctions: A suspension from association with any member of FINRA in any and all capacities for two months days and a \$10,000 fine.

I agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

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)

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.

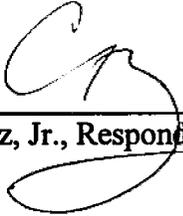
D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute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

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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.

12-10-15

Date (mm/dd/yyyy)



Carlos Benavidez, Jr., Respondent

Reviewed by:

David A. Calhoun

Attorney Name

Counsel for Respondent

Firm Name Wyatt, Tarrant & Combs, LLP

Address 500 W. Jefferson Street, Ste. 2800

City/State/Zip Louisville, KY 40202

Phone Number (502) 562-7350

Accepted by FINRA:

01/04/15

Date

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



Dale A. Glanzman

Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, IL 60603
(312)899-4312

Attachment: Election of Payment Form