

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015047812901**

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

RE: James Keith Cox, Respondent
General Securities Principal, General Securities Representative and
Investment Company and Variable Contracts Products Representative
CRD No. 2365633

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I James Keith Cox, 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.

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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

Cox entered the securities industry in August 1993, as an Investment Company and Variable Contracts Products Representative of a member of FINRA. From March 24, 2009 to July 7, 2015, Cox was associated with Sterne, Agee & Leach, Inc. ("Sterne Agee" or the "Firm") and was registered with FINRA under Article V of the By-Laws as a General Securities Principal, General Securities Representative and an Investment Company and Variable Contracts Products Representative. On July 7, 2015, Cox's registration with Sterne Agee was transferred to Stifel, Nicolaus & Company, Incorporated ("Stifel"). Cox's association with Stifel ended on April 24, 2017 and his registration with FINRA ended on April 26, 2017. Although Cox is not currently associated with a FINRA member firm or registered with FINRA, he is subject to the jurisdiction of FINRA, pursuant to Article V, Section 4 of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons. Cox has no prior disciplinary history.

OVERVIEW

In September 2014, Cox violated FINRA Rules 2111, 2330 and 2010 because he did not have a reasonable basis for recommending five annuity transactions to Customer NR. In addition, Cox engaged in outside business activity with the same customer without providing prior written notice to the Firm in violation of FINRA Rules 3270 and 2010.

FACTS AND VIOLATIVE CONDUCT

Unsuitable Recommendations

FINRA Rules 2111 and 2330 require registered representatives to have a reasonable basis to believe that a recommended variable annuity transaction is suitable in light of the customer's age, financial situation and needs, risk tolerance, and investment objectives.

In September 2014, Cox recommended the following unsuitable transactions to NR: (1) the exchange of an existing variable annuity for a new variable annuity; (2) the sale of an existing variable annuity to purchase two fixed equity-indexed annuities; and (3) the liquidation of three additional variable annuities.¹ The existing annuities all provided for guaranteed minimum income available upon annuitization that was equal to three times the premiums paid. NR was 59 years old at the time of the recommendations, and the growth potential of the income streams was of primary importance to her. The new variable annuity and two fixed annuities did not offer the same income growth potential. Furthermore, the liquidations provided no guaranteed income. In addition, in the event that NR chose not to annuitize, the existing products offered higher death benefits than the new products. Moreover, with regard to the exchange recommendation, NR was exposed to the risk of incurring surrender charges with the new seven-year surrender period.

Cox received net commissions in connection with the unsuitable exchange of \$25,460.

For the foregoing reasons, Cox violated FINRA Rules 2330, 2111, and 2010.

Outside Business Activity

FINRA Rule 3270 provides that no registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

¹ The suitability charge does not apply to the purchases of the fixed equity-indexed annuities.

In September 2014, Cox charged NR \$2500 for consulting services that he provided in connection with the construction of a modular office building for her medical practice. Cox failed to provide prior written notice to the Firm of this outside business activity.

By virtue of the foregoing, Cox violated FINRA Rules 3270 and 2010.

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

- a four-month suspension from association with any FINRA member in all capacities;
- a \$10,000 fine; and
- disgorgement of commissions received, which is ordered to be paid to FINRA in the amount of \$25,460, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621, from September 19, 2014 until the date this AWC is accepted by the National Adjudicatory Council ("NAC"). Disgorgement shall be due and payable either immediately upon reassociation 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.

The fine shall be due and payable either immediately upon reassociation 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 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).

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

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 prejudice 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.

5/18/17
Date (mm/dd/yyyy)


James Keith Cox, Respondent

Reviewed by:
