

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

ANGELA DIONNE REED  
(CRD No. 5350720),

Respondent.

Disciplinary Proceeding  
No. 2007011250901

Hearing Officer – MAD

**HEARING PANEL DECISION**

March 16, 2010

**The Respondent violated Procedural Rule 8210 and Conduct Rule 2110 by failing to provide information to FINRA in connection with its investigation of her termination from her member firm. For this violation, the Respondent is barred from associating with any member in any capacity.**

**Appearances**

For Complainant: Karen Whitaker, Senior Regional Counsel, Dallas, Texas;  
William Brice LaHue, Senior Regional Counsel, Atlanta, Georgia, FINRA,  
Department of Enforcement.

For Respondent: Angela Dionne Reed, pro se.

**DECISION**

**I. Introduction**

On July 7, 2009, the Department of Enforcement (“Enforcement”) for the Financial Industry Regulatory Authority (“FINRA”) filed a Complaint with the Office of Hearing Officers, alleging that Respondent Angela Dionne Reed (“Reed”) violated Procedural Rule 8210 and Conduct Rule 2110 by failing to respond to FINRA’s written information requests made

pursuant to Rule 8210.<sup>1</sup> On September 29, 2009, the Office of Hearing Officers received Reed's Answer, which is in the form of a letter to counsel for Enforcement. In her Answer, Reed admitted that she had not complied with the written information requests in connection with FINRA's investigation and requested a hearing.

The hearing was held on January 6, 2010, in Atlanta, Georgia, before a Hearing Panel composed of the Hearing Officer and a current member and a former member of the District 7 Committee. Enforcement called two witnesses: Sandra Sensebe ("Sensebe"), a FINRA Principal Examiner, and Respondent Reed. Reed testified on her own behalf and did not call any other witnesses.<sup>2</sup>

Based upon a careful review of the entire record, including Reed's admissions in her Answer, the Hearing Panel makes the following findings of fact and conclusions of law.

## **II. Findings of Fact**

### **A. Respondent**

Reed was employed as a financial specialist with Wachovia Bank, NA ("Wachovia Bank") in May 2006.<sup>3</sup> Her duties included processing loans.<sup>4</sup> Reed registered with FINRA as an Investment Company and Variable Contracts Products Representative in July 2007, through her association with Wachovia Securities, LLC ("Wachovia Securities"). On November 8, 2007,

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<sup>1</sup> As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new corporate name, the Financial Industry Regulatory Authority (FINRA). References in this decision to FINRA include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidated rules became effective on December 15, 2008, including certain conduct rules and procedural rules. *See* Regulatory Notice 08-57 (Oct. 2008). This decision refers to and relies on the conduct rules that were in effect at the time of Respondent's misconduct. The applicable rules are available at [www.finra.org/rules](http://www.finra.org/rules).

<sup>2</sup> In this decision, "Tr." refers to the transcript of the hearing; "CX" to Enforcement's exhibits; and "RX" to Respondent's exhibits.

<sup>3</sup> CX-1, at 4.

<sup>4</sup> Tr. at 17.

Wachovia Securities filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) with FINRA, disclosing that Reed was permitted to resign from “Wachovia Bank, N.A. after admitting to having received proceeds from [a] bank loan she processed on behalf of a relative.”<sup>5</sup> Reed has not been associated with Wachovia Securities or any other member firm since November 8, 2007.

## **B. Jurisdiction**

Although Reed is not currently registered, FINRA has jurisdiction of this disciplinary proceeding, pursuant to Article V, Section 4 of FINRA’s Bylaws, because (1) the Complaint was filed within two years following the termination of her registration with FINRA, and (2) the Complaint charges her with failing to respond to FINRA’s requests for information made during the two-year period following the termination of her registration with FINRA.<sup>6</sup>

## **C. FINRA’s Investigation of Reed’s Termination**

Upon receipt of the Form U5, FINRA initiated an investigation into Reed’s resignation from Wachovia Bank. On November 28, 2007, FINRA’s Preliminary Investigations Unit sent a Rule 8210 request letter to Wachovia Securities, requesting further information concerning the Form U5 filed for Reed.<sup>7</sup> On December 19, 2007, Wachovia Securities responded to the request letter and provided a written statement prepared by Reed, dated October 12, 2007.<sup>8</sup> Wachovia Securities informed FINRA that Reed, while working as a financial analyst for Wachovia Bank, had processed a bank loan in the amount of \$17,000 in her cousin’s grandmother’s name without

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<sup>5</sup> CX-2.

<sup>6</sup> Article V, Sec. 4(a), FINRA By-Laws, *available at* [www.finra.org/rules](http://www.finra.org/rules).

<sup>7</sup> Tr. at 30; CX-5.

<sup>8</sup> CX-5.

authorization.<sup>9</sup> Reed used \$11,000 to pay her home mortgage, and the remaining \$6,000 was shared by Reed and her cousin.<sup>10</sup> No payments were made on the loan, and on January 30, 2008, Wachovia Bank wrote off the loan as a loss.<sup>11</sup>

**D. Reed's Failure to Respond to FINRA's Information Requests**

On November 27, 2007, a FINRA examiner in FINRA's Preliminary Investigations Unit sent a Rule 8210 request letter to Reed, requesting a written response to the allegation in the Form U5 regarding the unauthorized loan.<sup>12</sup> FINRA staff sent the request to Reed's last recorded residential address shown in FINRA's Central Registration Depository (the "CRD Address") by first-class and certified mail, return receipt requested, pursuant to Procedural Rule 8210. The letter required Reed to provide a written response by December 28, 2007.<sup>13</sup> Reed did not respond to the request letter.<sup>14</sup>

On August 8, 2008, Sensebe, a FINRA Principal Examiner in FINRA's Texas District Office, sent another Rule 8210 request letter to Reed, requesting an explanation regarding the circumstances surrounding her termination.<sup>15</sup> Specifically, the letter requested information on the loan, the use of the proceeds from the loan, and confirmation regarding whether Reed provided the written statement to Wachovia Bank, dated October 12, 2007.<sup>16</sup> The August 8 letter, sent to

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> CX-6; Tr. at 31.

<sup>12</sup> CX-7; Tr. at 31.

<sup>13</sup> CX-7.

<sup>14</sup> Tr. at 31.

<sup>15</sup> CX-8; Tr. at 31-32.

<sup>16</sup> CX-8; Tr. at 32.

Reed's CRD Address by regular and certified mail, pursuant to Rule 8210, directed her to provide the requested information by August 22, 2008.<sup>17</sup> Reed did not respond to this request.<sup>18</sup>

On August 28, 2008, Sensebe sent another information request letter to Reed at her CRD Address, by regular and certified mail, pursuant to Rule 8210, requesting a response to the August 8 request letter.<sup>19</sup> The August 28 letter directed her to provide the requested information by September 11, 2008. Reed did not respond to the August 28 request letter.<sup>20</sup>

In September 2008, Sensebe located a telephone number for Reed on the Internet and called her to confirm that she had received the request letters.<sup>21</sup> During the call, Reed acknowledged that she had received the letters and told Sensebe that she intended to provide a response. Sensebe warned Reed that a failure to respond was a violation of FINRA's rules.<sup>22</sup> Reed did not respond to any of the Rule 8210 request letters from the FINRA staff.<sup>23</sup>

### **III. Conclusions of Law**

Procedural Rule 8210 authorizes FINRA staff to compel a person over whom it has jurisdiction to provide information in connection with its investigations. Rule 8210 is FINRA's mechanism "to police the activities of its members and associated persons."<sup>24</sup> "The failure to respond to [FINRA] information requests frustrates [FINRA's] ability to detect misconduct, and

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<sup>17</sup> CX-8, at 2.

<sup>18</sup> Tr. at 32.

<sup>19</sup> CX-9; Tr. at 32-33.

<sup>20</sup> Tr. at 33.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 33-34.

<sup>24</sup> *Howard Brett Berger*, Exchange Act Release No. 58950, 2008 SEC LEXIS 3141, at \*13 (Nov. 14, 2008) (quoting *Joseph Patrick Hannan*, 53 S.E.C. 854, 858-59 (1998)).

such inability in turn threatens investors and markets.”<sup>25</sup> An associated person who refuses to provide requested information in the course of an investigation violates Procedural Rule 8210 and Conduct Rule 2110.<sup>26</sup>

In this case, the evidence establishes, and Reed admits, that she failed to respond to FINRA’s information requests in connection with its investigation into her termination and alleged misconduct. Accordingly, the Hearing Panel finds that Reed violated Procedural 8210 and Conduct 2110 by failing to respond to written information requests issued by FINRA staff.

#### **IV. Sanctions**

The FINRA Sanction Guidelines (“Guidelines”) provide that if a person does not respond in any manner to a request for information made pursuant to Rule 8210, a bar should be the standard sanction. If there are mitigating factors present, adjudicators should consider suspending the individual in any or all capacities for up to two years.<sup>27</sup>

A principal consideration in determining sanctions in a failure to cooperate case is the “[n]ature of the information requested.”<sup>28</sup> In this case, Reed processed a loan in a relative’s name without authorization and used the proceeds for her personal use. While Reed admitted to obtaining the unauthorized loan in her Answer, “[FINRA] ... should not have to bring disciplinary proceedings to obtain responses to its requests for information.”<sup>29</sup> Furthermore, FINRA is unable to bring a disciplinary action against Reed for the underlying misconduct

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<sup>25</sup> *PAZ Sec., Inc.*, Exchange Act Release No. 57656, 2008 SEC LEXIS 820, at \*13 (Apr. 11, 2008), *petition for review denied sub nom. Paz Sec. v. SEC*, 566 F.3d 1172, 2009 U.S. App. LEXIS 11500 (D.C. Cir. May 29, 2009).

<sup>26</sup> *Geoffrey Ortiz*, Exchange Act Release No. 58416, 2008 SEC LEXIS 2401, at \*23-24 (Aug. 22, 2008); *Wanda P. Sears*, Exchange Act Rel. No. 58075, 2008 SEC LEXIS 1521, at \*19, n. 28 (July 1, 2008).

<sup>27</sup> FINRA Sanction Guidelines 35 (2007), available at [www.finra.org/sanctionguidelines](http://www.finra.org/sanctionguidelines).

<sup>28</sup> Guidelines at 35.

<sup>29</sup> *Dep’t of Enforcement v. Steinhart*, 2003 NASD Discip. LEXIS 23, at \*13 (Aug. 11, 2003).

because FINRA no longer has jurisdiction to file a new complaint against Reed. Reed therefore has undermined FINRA's ability to carry out its regulatory mandate.

In mitigation, Reed asserted at the hearing that she was new to the securities industry and ignorant of the rules. However, Sensebe warned Reed during their telephone conversation in September 2008 that a failure to respond to an information request issued pursuant to Rule 8210 is a violation of FINRA's rules. Nonetheless, Reed continued to ignore the outstanding requests. Moreover, the Hearing Panel finds that Reed's lack of experience does not mitigate her conduct. "[A] failure to comply with a request for information does not involve a duty or responsibility that experience will cure. A registered person's experience therefore is not relevant to his or her duty to provide [FINRA] information upon request."<sup>30</sup> Reed's ignorance of the rules is not a mitigating factor.<sup>31</sup> Securities professionals are presumed to have read and have knowledge of FINRA's Rules.<sup>32</sup>

Reed also urged the Hearing Panel to take into consideration the stress she was under during the fall of 2007. In September 2007, her daughter's father died, and both she and her daughter were grieving his death.<sup>33</sup> In addition, in December 2007, Reed was briefly hospitalized for stomach pains.<sup>34</sup> The Hearing Panel did not find these factors mitigating under the facts and circumstances of this case. While Reed was undergoing a stressful period at the end of 2007 when FINRA issued the first request, Reed acknowledged that in the summer of 2008, when she

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<sup>30</sup> *Id.* at \*12 n5.

<sup>31</sup> *Dep't of Enforcement v. Fox & Co. Inv., Inc.*, No. C3A030017, 2005 NASD Discip. LEXIS 5, at \*45 (N.A.C. Feb. 24, 2005) (citation omitted), *aff'd*, *Fox & Co. Inv., Inc.*, Exchange Act Rel. No. 52697, 2005 SEC LEXIS 2822 (Oct. 28, 2005).

<sup>32</sup> *Dep't of Enforcement v. Keyes*, No. C02040016, 2004 NASD Discip. LEXIS 54, at \*21 (O.H.O. Nov. 29, 2004) (citation omitted), *aff'd*, *Dep't of Enforcement v. Keyes*, No. C02040016, 2005 NASD Discip. LEXIS 9 (N.A.C. Dec. 28, 2005).

<sup>33</sup> RX-1, at 5-6; Tr. at 48.

<sup>34</sup> RX-1, at 1-3; Tr. at 48.

received the next two Rule 8210 request letters, she was not experiencing any difficulties that would have prevented her from responding to FINRA's requests.<sup>35</sup> Reed offered no explanation for her complete failure to respond to those two requests.

Upon consideration of all the evidence, the Hearing Panel finds that a bar is the appropriate sanction in this case. "A complete failure to respond to a request for information issued pursuant to Rule 8210 renders the violator presumptively unfit for employment in the securities industry because the self-regulatory system of securities regulation cannot function without compliance with Rule 8210 requests."<sup>36</sup> There are no mitigating factors that would form a basis for a sanction below the level recommended in the Guidelines.

## **V. Order**

For violating Procedural Rule 8210 and Conduct Rule 2010, Respondent Angela Dionne Reed is barred from associating with any member in any capacity. In addition, she is ordered to pay costs in the amount of \$1214.00, which includes a \$750 administrative fee and the cost of the hearing transcript. The costs shall be payable on a date set by FINRA, but not less than 30 days after this decision becomes FINRA's final disciplinary action in this matter. If this decision becomes FINRA's final disciplinary action, the bar will take effect immediately.<sup>37</sup>

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Maureen A. Delaney  
Hearing Officer  
For the Hearing Panel

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<sup>35</sup> Tr. at 61.

<sup>36</sup> *PAZ Securities*, 2008 SEC LEXIS 820, at \*10.

<sup>37</sup> The Hearing Panel has considered and rejects without discussion all other arguments of the parties.

Copies to: Angela Reed (via first-class mail, electronic mail & overnight courier)  
Karen Whitaker, Esq. (via electronic and first-class mail)  
William Brice LaHue, Esq. (via electronic and first-class mail)  
Mark P. Dauer, Esq. (via electronic mail)  
David R. Sonnenberg, Esq. (via electronic mail)