Disciplinary and Other FINRA Actions

Reported for February 2013

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

Firm Expelled, Individual Sanctioned

Wilson and Kazee Diversified Financial Group, Inc. dba WR Rice Financial Services, Inc. (CRD® #36700, Bay City, Michigan) and Joel Irwin Wilson (CRD #5334955, Registered Principal, Saginaw, Michigan) submitted an Offer of Settlement in which the firm was expelled from FINRA® membership and Wilson was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, the firm and Wilson consented to the described sanctions and to the entry of findings that the firm and Wilson perpetrated securities fraud in connection with customer investment of approximately $4.7 million in limited partnerships Wilson controlled. The findings stated that the firm, acting through Wilson and other registered representatives intentionally or recklessly made untrue statements of a material fact regarding the intended use of offering proceeds from the sales of limited partnership interests via private placement offerings by limited partnerships Wilson controlled. The findings also stated that the firm, acting through Wilson and other registered representatives, omitted the material facts that the due dates on promissory notes between the limited partnerships and the companies Wilson controlled had been extended, and that Wilson had unilaterally extended the due dates because the companies he owned did not have enough money to repay the notes. Based on the foregoing, the firm and Wilson willfully violated Section 10(b) of the Securities Exchange Act and Rule 10b-5. The findings also included that Wilson provided falsified limited partnership agreements to FINRA in response to its request for documents. FINRA found that Wilson failed to provide full and complete testimony during an on-the-record interview. (**FINRA Case #2012030531101**)

Firms Fined, Individuals Sanctioned

CM Securities, LLC (CRD #127136, Las Vegas, Nevada) and Todd Burton Parriott (CRD #4663935, Registered Principal, Henderson, Nevada) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and ordered to pay $250,000 in restitution, jointly and severally, with Parriott, the firm's former CEO, of which $26,180 is joint and several with another individual. Parriott was also barred from association with any FINRA member in any principal capacity, suspended from association with any FINRA member in any capacity for one year, and ordered to remain current with required payments to a customer consistent with the terms of a settlement agreement. In light of the firm's and Parriott's financial statuses, no monetary fine was imposed. Without admitting or denying the findings, the firm and Parriott

consented to the described sanctions and to the entry of findings that the firm and Parriott, through its registered representatives, made unsuitable recommendations to customers to purchase a highly speculative non-traded real estate investment trust (REIT). The findings stated that the firm's employees, most of whom did not have any experience in the securities industry, recommended and sold the highly speculative REIT to customers, who found themselves highly concentrated (for some, up to 95 percent) in the REIT, although the customers told the firm that they only sought a moderate amount of risk. Based on the representative's unsuitable recommendations, the customers purchased $1,679,304 of the REIT; and since its shares were de-valued and the REIT filed for involuntary bankruptcy, the customers lost their entire principal investment in the REIT. The findings also stated that the firm and Parriott, acting through registered representatives, entered and maintained inaccurate information on subscription agreements and new account documents, including listing REIT purchases on subscription agreements as both solicited and unsolicited. The firm and Parriott also failed to supervise the firm's registered representatives. Although sales of the REIT made up almost all of the firm's business, the firm and Parriott failed to establish and maintain a supervisory system, including written procedures, that provided any process or guidance for monitoring customers' REIT purchases, such as monitoring for unsuitable levels of concentration in REITs or determining whether a purchase was suitable for a customer based on the customer's investment objectives and risk tolerance. In fact, the chief compliance officer (CCO), who did not have any experience in the securities industry, failed to conduct a thorough review of the customers' subscription agreements for accuracy, and did not have sufficient information to determine whether a REIT transaction was solicited/unsolicited for a reasonable suitability assessment. Despite "red flags," the firm and Parriott, acting through the CCO, failed to take reasonable steps to ensure the suitability of the registered representatives' sales of the REIT to customers. The firm's and Parriott's complete delegation of compliance authority to the CCO was unreasonable given that the CCO and the retail registered representatives did not have any experience in the securities industry or experience with REITs, and the firm's written supervisory procedures (WSPs) and system were inadequate.

FINRA found that the firm distributed institutional sales materials concerning the REIT that were misleading and were not fair and balanced because they failed to disclose that even if the REIT was a diversified investment, diversification did not guarantee a profit or protect investors against investment loss. FINRA also found that the firm and Parriott, participated in the secondary offering of the REIT, in which the total underwriting compensation exceeded the 10 percent limitation for a publicly offered non-traded REIT. As a result of the excessive underwriting compensation, the firm participated in a public offering of the REIT that had unreasonable and unfair underwriting compensation. In addition, FINRA determined that the firm and Parriott, failed to disclose all items of underwriting compensation in the REIT prospectus filed with the Securities Exchange Commission (SEC)

in connection with the secondary offering of the REIT, and failed to maintain and enforce an adequate supervisory system and procedures to achieve compliance with applicable FINRA and NASD® rules regarding underwriting compensation.

The suspension is in effect from January 7, 2013, through January 6, 2014. (**FINRA Case #2009017346702**)

Gardnyr Michael Capital, Inc. (CRD #30520, Mobile, Alabama) and James Michael Pietkiewicz (CRD #1317032, Registered Principal, Winter Park, Florida) submitted an Offer of Settlement in which the firm was censured, fined $30,000 and was liable for paying $11,155.35, plus interest, in restitution to customers. Pietkiewicz was fined $10,000 and suspended from association with any FINRA member in any principal capacity for 45 days. Without admitting or denying the allegations, the firm and Pietkiewicz consented to the described sanctions and to the entry of findings that the firm permitted a registered representative to use personal accounts he maintained or controlled as inventory accounts from which he could, through a firm account, sell and also buy municipal securities to and from customers. The firm and the representative did not disclose to their customers that one of the representative's personal accounts had been interposed or otherwise involved in the transactions, or that they had charged excessive markups on the transactions. The findings stated that Pietkiewicz was responsible for reviewing the registered representative's municipal securities transactions for, among other things, fair pricing violations, excessive markups and interpositioning. Contrary to the firm's WSPs—which prohibited the firm from selling municipal securities from its own account to a customer except at an aggregate price that was fair and reasonable and would not exceed a 3 percent markdown/markup; and prohibited interpositioning—the firm, through Pietkiewicz, failed to supervise the registered representative's handling of municipal bond transactions, and failed to implement or enforce the policies regarding markups on municipal securities and interpositioning. Pietkiewicz also failed to document his review of the representative's municipal securities transactions. The findings also stated that Pietkiewicz was responsible for the management of a branch office and was involved in the management, direction or supervision of the firm's underwriting of municipal securities deals, although he did not pass the municipal securities principal qualification examination until a later date and was not properly registered or qualified to act in that capacity. The findings also included that the firm acted as an underwriter in primary offerings of municipal securities and completed the required Municipal Securities Rulemaking Board (MSRB) Forms G-36 Official Statements (OS) late or submitted official statements for the offering to MSRB's Electronic Municipal Market Access (EMMA) late.

The suspension is in effect from January 22, 2013, through March 7, 2013. (**FINRA Case #2009016034101**)

Firm and Individual Fined

Delta Equity Services Corporation nka Bolton Global Capital (CRD #15650, Bolton, Massachusetts) and Daphne Jane Mahle (CRD #4367277, Registered Principal, Ayer, Massachusetts) submitted an Offer of Settlement in which the firm and Mahle were censured and fined $10,000, jointly and severally. The firm was fined an additional $90,000 and shall review its supervisory systems and WSPs for compliance with laws, regulations, and rules concerning its hiring and supervision of registered representatives, including its systems and procedures regarding the heightened supervision of registered representatives with financial disclosures, its supervision of its registered representatives' payments to third parties, and its commission markup and markdown policies. Without admitting or denying the allegations, the firm and Mahle consented to the described sanctions and to the entry of findings that the firm, acting through Mahle, its CCO, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce WSPs reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning hiring and supervision of registered representatives, payments to third parties by its registered representatives, and markups and markdowns on principal transactions in sovereign debt. The findings stated that the deficient supervisory system and WSPs allowed registered representatives to conduct a securities business with an unregistered person and to set commissions on fixed-income transactions without regard to the factors set forth in NASD Rule 2440 and Interpretative Material (IM)-2440-1. As part of the background checks Mahle conducted on potential firm registered representatives, the firm, acting through Mahle, failed to conduct a reasonable inquiry. Mahle did not ask one of the individuals about his credit card defaults or another individual about a mortgage loan default. The findings also stated that the firm and Mahle obtained information during the pre-hire investigation that indicated that one of the individuals was paid a portion of the commissions generated from business with foreign customers. Had the firm and Mahle juxtaposed a commission blotter with the individual's CRD record, they would have learned that he could not have been the broker of record for most of the trades represented on the blotter. Despite knowing information that questioned an individual's financial responsibility, the firm and Mahle provided individuals with a commission assignment agreement that transferred all of one of the individual's commissions to another individual. The firm and Mahle suspected that one of the individuals was involved with the other individual's customer accounts at the firm, and the firm's president admonished the individual that such involvement was improper.

The findings also included that the firm and Mahle learned that an individual had filed a petition for personal bankruptcy, yet the firm continued to direct his commission payments to another individual. The firm and Mahle accepted the individual's explanation that he had money from his pre-firm employment, and failed to consider revoking or modifying the commission-assignment agreement or whether the individual had entered it to shelter assets from creditors. FINRA found that the firm and Mahle knew that an individual transferred hundreds of thousands of dollars of the commissions generated by the other

individual's trading to third parties, but failed to question whether those payments were proper. The fee owed pursuant to a consulting agreement was exorbitant for a two-computer office, and the firm and Mahle should have recognized the consultant as a straw party for the payment of commissions to an individual. FINRA also found that the firm and Mahle did not even ask about the services purportedly rendered by the technology-consulting company or question the reasonableness of the fees. Indeed, the purported technology consulting fees paid by an individual's corporation approached or may even have exceeded the firm's entire technology budget for a year. The firm and Mahle also failed to detect and follow up on the fact that the individual's corporation, which he had disclosed to the firm on his outside business activities report upon formation, did not yet exist when it entered the purported consulting agreement. The firm and Mahle also failed to follow up on the fact that the individual's wife was the director of the consulting company. In addition, FINRA determined that the firm's supervisory system and WSPs did not establish reasonable standards or criteria for evaluating, in conducting supervisory reviews, the fairness of markups and markdowns charged in principal transactions with customers. The firm's WSPs in effect during the relevant time period did not address, or provide guidance concerning, the factors set forth in NASD Rule 2440 and IM-2440-1, or about how the various factors and circumstances should be applied or weighed in determining an appropriate markup or markdown on a transaction with a customer as principal. Moreover, FINRA found that the firm's director of supervision, who was responsible for reviewing the individual's trades for customers in Brazilian sovereign debt, did not know how the individual computed his commissions, nor did he conduct any research on the appropriateness of the markups and markdowns the individual charged. Instead, the director of supervision relied on a firm guideline to approve any trades in fixed income securities with a commission of 3 percent or less. Furthermore, FINRA found that as a result of the supervisory deficiencies, the firm and Mahle failed to monitor a registered representative who they recognized was in financial distress and prevent firm registered representatives from conducting a securities business with an unregistered person. The firm also failed to provide reasonable supervision of one of its registered representative's transactions in Brazilian sovereign debt. (**FINRA Case #2010020869803**)

Firms Fined

Ausdal Financial Partners, Inc. (CRD #7995, Davenport, Iowa) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it began using a new third-party email provider to retain its emails, and when the provider implemented the firm's email retention system, it established email addresses for the firm's personnel on its server. After the initial set-up, the firm was responsible for establishing new email addresses on the server. The findings stated that due to user error, for more than two years, the firm failed to establish email addresses on the server for newly-registered representatives and associated personnel,

and therefore failed to retain the emails of these representatives and associated personnel. The firm was able to retrieve emails for some of these representatives and associated personnel after it discovered that the email addresses had not been established on the server. The findings also stated that the firm allowed its registered representatives to use their personal email addresses, as long as they forwarded securities-related emails to any of the email review boxes the firm established. However, for a period, the emails sent to one of these email review boxes were deleted on a weekly basis because the review box would become full and would not accept any additional emails. (**FINRA Case #2011028992201**)

Canaccord Genuity Inc. (CRD #1020, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $100,000 and shall review its supervisory system and procedures concerning research reports and the supervision of research analysts for compliance with FINRA rules and federal securities laws and regulations. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its research analysts sent pre-publication excerpts of research reports containing facts interspersed with opinions, estimates, conclusions and other non-factual information to the companies the reports covered. The findings stated that the firm's WSPs permitted its research department to send portions of a redacted research report to the subject company before publication, solely to verify the accuracy of information in those sections. The firm's WSPs required the firm's research analysts to send both the redacted report and the entire draft report to the compliance department. The compliance staff would then review the redacted report for non-factual information (such as estimates and analyst's opinions) and return it to the analyst with instructions on what, if any, language needed to be removed prior to transmittal to the covered company. When the research analyst transmitted the final redacted report to the subject company, the firm's procedures required the compliance department to be copied on this communication. The findings also stated that the WSPs did not require the compliance department to follow up, even on a spot-check basis, to determine if the research analyst removed the non-factual information. The firm's WSPs and supervisory system did not provide formal training procedures or specific guidance to assist the firm's research analysts and compliance staff in determining what language was permissible to send to subject companies in the redacted reports. The findings also included that the firm's research analysts sent redacted reports to covered companies for verification of factual accuracy and, in most of those instances, the firm sent redacted reports containing pieces of non-factual information to the subject companies. In some of the redacted reports, the firm's research analysts failed to remove or edit some of the non-factual statements the firm's compliance department identified. The firm's compliance department failed to identify every non-factual statement in all of the redacted reports. (**FINRA Case #2011025431701**)

Capitol Securities Management, Inc. (CRD #14169, Glen Allen, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described

sanctions and to the entry of findings that it did not have written procedures regarding the delivery of exchange-traded fund (ETF) or unit investment trust (UIT) prospectuses. The findings stated that the firm signed an agreement with a company for delivery of ETF and UIT prospectuses. Although the firm retained a company to deliver its ETF and UIT prospectuses, it remained the firm's responsibility to review each transaction and verify that a prospectus was properly delivered when required. The findings also stated that to assist the firm in fulfilling its delivery obligations, the company made available daily and monthly exception reports via its online Report Center. These exception reports listed all prospectuses that were not delivered on a trade date, and the reason each prospectus was not delivered. The firm failed to review the exception reports the company provided, and failed to otherwise review or monitor the functions it delegated to the company. The firm failed to detect that the company failed to deliver prospectuses, so the firm failed to deliver the required prospectuses or product descriptions in connection with these ETF and UIT purchases. (**FINRA Case #2012033328401**)

Citigroup Global Markets, Inc. (CRD #7059, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $575,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that as part of its parent entity's business strategy to reduce exposure to subprime assets, the firm incurred trading losses of $464 million when it purchased distressed assets during certain "blind auctions" held in connection with liquidation of collateralized debt obligations (CDOs). The long-term asset group (LTAG) placed reserve bids on all assets available in the blind auctions in which the firm's banking affiliate was the super senior note holder. The reserve bids set a minimum price for the assets at the lower end of the fair market value range; and ensured a successful auction because the CDO could not be dissolved until all assets were distributed. Bids were submitted without pre-approval by the firm's Capital Markets Approval Committee (CMAC). The findings stated that the firm did not adequately supervise the LTAG to ensure it bid fair market value on all assets, and, on occasion, the LTAG did not bid fair market value when it decided that fair market value could not be assessed in time for the auction, when it would bid par. The par bids submitted in auctions shifted significant losses from the banking affiliate to the firm when the purchased assets were marked to the cover price, which was often significantly lower than par. The LTAG did not seek permission from the CMAC, or notify any of the groups represented on the CMAC of the decision to bid par, and the CMAC representatives remained unaware of the losses caused until a later date. The findings also stated that the firm failed to address certain red flags that should have alerted it to the day-one losses caused by bidding par on the CDO assets, which should have been evident from a review of the LTAG's liquidation summaries and profit and loss statements; losses increased when par bids were placed. The firm investigated, identified the par bids, and recorded a one-time capital contribution of $464 million to the banking affiliate and reversed a $184 million tax loss benefit resulting from its prior accounting treatment. The firm subsequently self-reported these issues to FINRA. The findings also included that the

firm's supervision of the LTAG was inadequate because it did not have an adequate system in place to address the potential conflict between the competing economic interests that arose when the LTAG bid for the firm on assets in which the banking affiliate had a beneficial interest; there wasn't any system, procedure, person or entity assigned the responsibility of reviewing whether the firm's bids were submitted at fair market value, as required; and the firm failed to adequately respond to red flags suggesting that the LTAG was not bidding fair market value on certain assets in the auction. FINRA found that the firm's records, including Financial and Operational Combined Uniform Single (FOCUS) reports, inaccurately reflected $464 million in trading losses and $284 million in tax benefits when the day-one losses should have been accounted for as capital contributions from the firm to its banking affiliate. (**FINRA Case #2010023574901**)

Deutsche Bank Securities Inc. (CRD #2525, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $75,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it did not clearly or separately identify on order memoranda for thousands of negotiated corporate debt principal transactions with institutional customers, the time of receipt of the order and the time of execution of the trade. The findings stated that instead, the firm recorded only one time for purposes of compliance with SEC Rule 17a-3. The firm did not clearly or separately identify on order memoranda for thousands of negotiated municipal debt principal transactions with institutional customers, the time of receipt of the order and the time of execution of the trade. Instead, the firm recorded only one time for purposes of compliance with MSRB Rule G-8. The findings also stated that out of a random sample of transactions in Trade Reporting and Compliance Engine® (TRACE®)-eligible corporate debt transactions with institutional customers for two separate periods, some confirmations did not disclose the required yield and some confirmations contained inaccurate yield information. The findings also included that the firm's written procedures required that order memoranda record times of order receipt, entry and execution even if the times were the same. The firm failed to enforce those procedures with respect to negotiated corporate debt transactions with institutional customers and negotiated municipal debt transactions with institutional customers. FINRA found that the firm's written procedures required that confirmations to customers include relevant yield information, but the firm failed to enforce those procedures to ensure accurate yield information was included on certain confirmations. (**FINRA Case #2009016164501**)

Deutsche Bank Securities Inc. (CRD #2525, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $125,000. In assessing the sanctions in this matter, FINRA took into account the fact that the firm self-reported the failures to deliver preliminary initial public offerings (IPO) prospectuses, self-reported to FINRA that its Global Markets Division did not deliver preliminary IPO prospectuses to certain customers, and took remedial action to correct these prospectus-delivery deficiencies. Without admitting or denying the findings, the firm consented to the

described sanctions and to the entry of findings that it failed to deliver on time, or failed to ensure that its service provider delivered on time, prospectuses to certain customers who purchased mutual funds, when in numerous instances the firm's customers who should have received a prospectus within three business days of the transaction did not. The findings stated that the firm's clearing firm contracted with a third-party service provider for the delivery of mutual fund prospectuses for all the clearing firm's introducing brokers, including the firm. On a daily basis, the clearing firm provided the service provider with electronic information regarding mutual fund transactions requiring delivery of a prospectus to the firm's customers. The clearing firm also provided daily and monthly reports to the firm. Among these was a daily report reviewing the information the clearing firm provided to the service provider. The firm conducted daily spot checks of this report. The clearing firm also provided the firm with a daily report that identified late prospectus deliveries, including the number of days late and the reason for each delay, but the firm did not regularly review this report. The firm did not take actions to ensure that all of its customers were receiving prospectuses on time. The findings also stated that because of the firm's failure to deliver prospectuses on time to a significant number of customers who purchased mutual funds, these customers were not provided with important disclosures about these products by settlement date in contravention of Section 5(b)(2) of the Securities Act. The findings also included that the firm failed to implement and maintain a supervisory system and WSPs reasonably designed to ensure that mutual fund prospectuses were being delivered on a timely basis consistent with Section 5(b)(2) of the Securities Act. The firm executed numerous mutual fund purchase transactions that required it to deliver a mutual fund prospectus, or a summary prospectus, to the purchasing customer. As such, during the period, the firm was required to establish and maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. However, the firm's WSPs did not require review of the reports provided to the firm by its clearing firm that identified late prospectus deliveries and did not require firm personnel to communicate with the service provider. Instead, the firm relied upon its clearing firm to ensure the timely delivery of mutual fund prospectuses.

FINRA found that the firm failed to deliver preliminary IPO prospectuses to certain customers who indicated interest in IPOs. The primary cause of the failures to deliver was the failure of employees within the firm's Global Markets Division to utilize the electronic system designed to ensure delivery of preliminary prospectuses. Because of the firm's failure to deliver preliminary IPO prospectuses to a number of customers who indicated interest in purchasing shares in IPOs, these customers were not provided with important disclosures about these products until after they had purchased the shares. FINRA also found that the firm was required to deliver numerous preliminary IPO prospectuses and was required to establish and maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. The firm's systems and procedures were not reasonably designed to ensure that preliminary IPO prospectuses were being delivered to every customer, and therefore failed to implement and maintain such a supervisory system and WSPs. (**FINRA Case #2011029270401**)

Edward D. Jones & Co., LP dba Edward Jones (CRD #250, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm's payroll department periodically received garnishments from judgment creditors, tax levies from federal and state taxing authorities, and/or bankruptcy wage withholding orders involving firm registered representatives. The findings stated that the firm did not have WSPs in place to ensure the payroll department notified the compliance resolution department of garnishments that might trigger a reportable event for registered representatives. The findings also stated that the firm failed to establish and maintain WSPs to ensure that registered representatives' Uniform Applications for Securities Industry Registration or Transfer (Forms U4) were updated to reflect disclosures of which the firm's payroll department was on notice and did not timely file Form U4 amendments. The firm has since updated the affected registered representatives' Forms U4. (**FINRA Case #2010025367601**)

EFG Capital International Corp. (CRD #40118, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report S1 transactions in TRACE-eligible corporate debt securities transactions to TRACE within 15 minutes of the execution time. The findings stated that the firm also failed to report P1 transactions in TRACE-eligible securities to TRACE within T+1 of the execution time. (**FINRA Case #2012031770701**)

Equity Services, Inc. (CRD #265, Montpelier, Vermont) submitted an Offer of Settlement in which the firm was censured and fined $20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, and establish, maintain, and enforce WSPs reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws. The findings stated that although the firm required its registered representatives to maintain antivirus software on their computers, it failed to adopt written policies and procedures reasonably designed to ensure representatives' compliance with this directive. The firm did not adopt written policies and procedures providing for follow-up on potential computer security issues uncovered during branch audits. The findings also stated that the firm's written policies and procedures did not provide for the verification of information its registered representatives provided regarding antivirus software use. The firm did not provide its Office of Supervisory Jurisdiction (OSJ) principals with adequate training or guidance on how to conduct inspections of branch office registered representatives' computers. (**FINRA Case #2010020870401**)

E.S. Financial Services, Inc. (CRD #104316, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $200,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it served as a placement agent and solicited certain non-U.S. persons to invest in a commercial paper program offered by a firm affiliate located

outside the United States. The commercial paper program was offered and sold exclusively to non-U.S. persons pursuant to Regulation S. At certain times, in connection with the firm's sales of the investments, the firm provided a customized document to each of the customers and/or prospective customers, in which the firm included the program in the cash component of the customer's portfolio alongside U.S. Treasuries and other commercial paper products; placed the program within investment options described as conservative; and that the main objective of investing in this category was to reduce global risk as well as to generate some income. The findings stated that the firm recommended investing in the program over U.S. Treasuries or other commercial paper if the customer wanted a higher-yielding option. Contrary to the contents of the investment proposals, the program was not a cash component, nor was it necessarily a conservative, low-risk investment. These representations amounted to false, exaggerated or unwarranted statements in these materials. The findings also stated that the firm posted an information memorandum on a password-protected website accessible to customers; the memorandum did not adequately detail certain risks associated with investing in the program. The firm failed to conduct adequate due diligence relating to its sales of the commercial paper program, and failed to adopt, maintain and enforce adequate WSPs pertaining to its sale of the investments until nearly four years after it began selling the investments. The findings also included that the firm failed to adopt, maintain and enforce written due diligence procedures tailored to its sale of the investments. Although all of the investments were repaid on a timely basis at maturity and no customer lost money, the firm's failure to implement written due diligence procedures nevertheless led it to fail to conduct a reasonable investigation concerning various matter concerning the investments. (**FINRA Case #2010024826501**)

E*Trade Capital Markets, LLC nka G1 Execution Services, LLC (CRD #111528, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $90,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct execution time on proprietary executions that were reported to the FINRA Trade Reporting Facility® (TRF®). The findings stated that the executions did not include an indication of seconds. The firm also failed to maintain accurate books and records reflecting the correct execution time on proprietary executions reported to the TRF, specifically the indication of seconds. FINRA also found that the firm failed to report the correct trade time of the original execution; when it reported corrections, additions or modifications to the TRF; the trade times of the original executions did not include an indication of minutes or seconds. In addition, the findings stated that the firm's supervisory systems did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD/FINRA rules concerning the accuracy of trade reporting to the TRF and recordkeeping. The findings also included that for the proprietary executions that the firm reported to the TRF that did not include an indication of seconds, its supervisory systems did not provide for supervision reasonably designed to detect and prevent potential order-handling violations. (**FINRA Case #2008013201401**)

Farrell Marsh & Company (CRD #31971, Villanova, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to preserve its emails in a non-erasable or "write-once read-many" (WORM) format. The findings stated that the firm did not have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved to electronic storage media, and did not retain a third party who had access and the ability to download information from its electronic storage media. The findings also stated that the firm failed to develop and enforce written procedures reasonably designed to achieve compliance with NASD Rule 3010(d)(2) regarding the review of electronic correspondence. The firm failed to enforce its written procedures requiring a designated principal to conduct a daily review of business-related electronic correspondence and to evidence that review by initialing the correspondence. (**FINRA Case #2011025603501**)

Financial Network Investment Corporation nka Cetera Advisor Networks LLC (CRD #13572, El Segundo, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $40,000, and required to conduct a review of its WSPs and systems with respect to Uniform Branch Office Registration Form (Form BR). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that for over a two-and-a-half-year period, it failed to promptly file Form BR amendments. The findings stated that during an examination of the firm, FINRA found certain deficiencies for each of the Form BR filings reviewed, and asked the firm to conduct an internal review of its Form BR filings. The firm determined it failed to file timely amendments to correct material deficiencies in Form BR filings for approximately 50.8 percent of its offices. All of the amendments to Forms BR following the firm's internal review were made more than 30 days after the information changed. The findings also stated that the firm failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce WSPs, reasonably designed to achieve compliance with applicable rules and regulations. The findings also included that the firm did not have a system in place to periodically review Form BR filings for each branch office to ensure that the firm promptly advised FINRA regarding changes to the information for each registered branch office within 30 days after the effective date of such change. FINRA found that the firm's WSPs required its registered representatives to maintain a current and accurate Form BR for each office where a securities business was conducted, and to make any changes to such information within the required time period. However, the procedures did not include provisions for monitoring or verifying representatives' compliance with the requirement. (**FINRA Case #2011025788201**)

Financial Technology Securities, LLC dba FinTech Securities (CRD #132873, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to deliver official statements

by the settlement date to customers who purchased offered municipal securities during the primary offering disclosure period. The firm was neither an underwriter nor part of the underwriting syndicate, but was required to deliver an official statement to each customer by the settlement date. The findings stated that the confirmations the firm provided to customers purchasing offered municipal securities during the primary offering disclosure period failed to direct the purchasers to the MSRB's Electronic Municipal Market Access (EMMA). The findings also stated that the firm failed to keep various records of all deliveries of official statements to purchasers of new issue municipal securities as MSRB Rule G-8(a)(xiii).required The findings also included that the firm failed to establish, maintain and enforce WSPs reasonably designed to ensure the delivery of official statements to customers purchasing offered municipal securities in secondary market transactions during the primary offering disclosure period. (**FINRA Case #2011025755701**)

GBM International, Inc. (CRD #28684, Houston, Texas) submitted an Offer of Settlement in which the firm was censured and fined $20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that its written anti-money laundering (AML) procedures failed to adequately address Sections 311 and 312 of the USA Patriot Act and a Customer Identification Program for delivery-versus-payment (DVP) accounts. The findings stated that although the firm's written AML procedures addressed certain banks that had previously been subject to special measures issued by the Department of the Treasury, the procedures did not specifically address Section 311 or the firm's systems for complying with the regulation. The findings also stated that although the firm's written AML procedures addressed factors to be considered in assessing risks in institutional accounts, the procedures did not address the requirements of Section 312, the types of accounts subject to due diligence or to establish a system for identifying accounts subject to Section 312. The findings also included that the firm failed to establish an adequate Customer Identification Program for DVP accounts. Upon opening the accounts, the firm obtained settlement instructions only, and did not collect required customer identifying information or verify that information. (**FINRA Case #2010020846601**)

Goldman, Sachs & Co. (CRD #361, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Execution or Combined Order/Execution Reports to the Order Audit Trail System (OATS™) that were improperly transmitted with a reporting exception code (REC) of "P" that were required to be matched to a related trade report in a FINRA trade reporting system. (**FINRA Case #2010023688101**)

IMS Securities, Inc. (CRD #35567, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $100,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it registered several wholesale representatives, but did not tailor its supervisory system to the specific nature of its new wholesale business in a way that was

reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules. The findings stated that although supervising wholesale representatives was different than supervising retail representatives, the firm did not revise its WSPs or implement any procedures tailored to supervising the wholesale representatives until nearly four years after hiring them. The findings also stated that the firm sold a wide range of securities products, including privately-traded REITS and direct participation plans, but the firm did not have sufficient WSPs detailing its procedures for assessing them. The findings also included that the firm failed to conduct annual audits at two of its OSJ branch offices one year. FINRA found that the firm's wholesale representatives used outside email addresses to send electronic communications related to its securities business. The firm failed to retain these emails. FINRA also found that for nearly two years, the firm failed to adequately maintain purchase/sales blotters and checks received/forwarded blotters, which did not contain all required information. Thus, the firm failed to maintain blotters containing an itemized daily record of all purchases and sales of securities, all receipts and disbursements of cash, and all other debits and credits. (**FINRA Case #2010020847501**)

Janney Montgomery Scott LLC (CRD #463, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $45,000, ordered to pay $5,758.36, plus interest, in restitution to customers and required to revise its WSPs regarding OATS reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it had fail-to-deliver positions at a registered clearing agency in equity securities that resulted from long sales and did not close the fail-to-deliver positions by purchasing securities of like kind and quantity within the time frame prescribed. The findings stated that the firm transmitted Reportable Order Events (ROEs) to OATS that OATS rejected for context or syntax errors; the ROEs were repairable but the firm failed to repair most of the rejected repairable ROEs, so the firm failed to transmit them to OATS during that period. The firm also failed to repair some of the rejected ROEs within the required five business days. The findings also stated that the firm transmitted reports to OATS that contained an inaccurate ROE resubmit flag, and omitted the reconciliation ID. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting. FINRA found that the firm purchased municipal securities for its own account from customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. (**FINRA Case #2009020223601**)

Jefferies & Company, Inc. (CRD #2347, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $23,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it was identified as the "Sent to Firm" on Route or Combined Order/Route Reports submitted to OATS that OATS was unable to link to a corresponding New Order Report transmitted by the firm due to inaccurate, incomplete or improperly formatted data. (**FINRA Case #2008014868501**)

J.P. Morgan Securities LLC (CRD #79, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $12,500 and ordered to pay $1,335.87, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in transactions for or with a customer, it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. (**FINRA Case #2010022752401**)

Knight Capital Americas, L.P. (CRD #38599, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible corporate debt securities to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to report the correct execution times for the transactions to TRACE, and failed to show the correct execution time on the brokerage order memoranda. The findings also stated that the firm failed to report to TRACE transactions in TRACE-eligible corporate debt securities that it was required to report to TRACE, failed to report the correct execution time to TRACE, and failed to report the correct price to TRACE for one transaction in a corporate debt security. (**FINRA Case #2010021650801**)

Knight Capital Markets, LLC (CRD #38379, Purchase, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $82,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the FINRA/NASDAQ Trade Reporting Facility (FNTRF) the correct symbol indicating the capacity of the contra party in transactions in reportable securities. The findings stated that the firm transmitted trade reports for odd-lot trades and failed to report the transactions with the required odd-lot modifier of .RO to the NASD/NASDAQ Trade Reporting Facility (NNTRF) or the FNTRF. The findings also stated that the firm effected transactions in a security while a trading halt was in effect with respect to that security. (**FINRA Case #2009017016501**)

Lincoln Financial Securities Corporation (CRD #3870, Concord, New Hampshire) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $525,000. Without admitting or denying the findings, the firm consented to the described

sanctions and to the entry of findings that it enacted a policy requiring its registered representatives to manually complete a variable redemption cover sheet (VRCS) for any variable annuity (VA) redemptions they effected, which included a section to document an economic analysis demonstrating the redemptions were beneficial to the customers and disclosing if the sale proceeds were intended to purchase a non-securities product. For more than a year, the firm failed to ensure that representatives were completing the VRCS form when appropriate. Most of the forms were not completed, so the firm failed to review and supervise the VA redemptions that resulted in subsequent purchases of equity-indexed annuities (EIAs) and fixed annuities. The findings stated that the firm failed to enforce its supervisory system designed to ensure that recommendations to liquidate or surrender VAs to fund purchases of EIAs or fixed annuities were suitable, and thereby failed to supervise these transactions. The findings also stated that the firm's WSPs prohibited its registered representatives from receiving commissions for securities transactions in customer accounts where the registered representative was not licensed in both the state of solicitation and the state in which the customer resided at the time of transaction. The firm failed to detect approximately 2,500 transactions in customer accounts despite the fact that the representatives listed on the accounts were not licensed in the state in which the customer resided at the time of the commission payment. Almost all of these transactions involved previously scheduled, recurring investments in established customer accounts. The findings also included that the firm failed to enforce its policies and procedures designed to ensure that all of its representatives were properly licensed in the states where they conducted securities transactions for customers.

FINRA found that the firm failed to tailor the transactional-monitoring aspect of its AML procedures to its business. It failed to ensure adequate procedures were in place to monitor for suspicious transactions that occurred in client accounts held directly with product manufacturers following the initial investment. The firm was aware that subsequent transactions occurring in accounts held directly with product manufacturers were not undergoing AML monitoring by the firm because it was relying on the product manufacturers to review these transactions but did not confirm they were actually performing this review. FINRA also found that the firm's AML training program was inadequate in that it failed to adequately specify the time frame for training employees and which employees required training. In addition, FINRA determined that the firm required its registered representatives when communicating with customers to use a firm account or an outside email address linked to the firm account so all emails could be captured and retained. The firm did not prohibit its registered representatives from using outside email addresses for non-securities related matters. Representatives who received securities-related emails through their outside email addresses were required to forward those emails to the firm's account. When an auditor reported that securities-related emails had not been forwarded, the firm failed to employ a systematic and consistent method for confirming that its registered representatives were forwarding all securities-related emails for retention. The firm also failed to have an adequate system in place to confirm

whether outside business activities email addresses were being used for securities-related correspondence and whether all were being retained. The firm failed to reasonably enforce its supervisory procedures to ensure that all securities-related emails registered representatives sent or received were captured, reviewed and retained. Moreover, FINRA found that for more than a year, the firm failed to reasonably supervise customer account activity and customer files for producing managers as required. The firm's WSPs permitted its OSJ managers to conduct reviews of their own securities transactions effected on behalf of customers. Firm branch office inspection reports did not ensure that a sufficient sample of the customer files reviewed during branch audits were accounts OSJ managers serviced, so as to test for compliance. Furthermore, FINRA found that one year, the firm failed to complete an adequate Rule 3012 report, in that the report failed to address deficiencies of which the firm was aware prior to that year. The firm failed to maintain and enforce a supervisory system reasonably designed to comply with the requirements of NASD Rules 3010 and 3012. (**FINRA Case #2009016302501**)

LPL Financial LLC (CRD #6413, Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $400,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain an adequate supervisory system and written procedures reasonably designed to ensure timely delivery of mutual fund prospectuses consistent with Section 5(b)(2) of the Securities Act. The findings stated that the firm was required to provide each of its customers who purchased a mutual fund with a prospectus for that fund no later than three business days after the transaction. The firm executed approximately 16 million mutual fund purchase or exchange transactions, and several million of these transactions required the firm to deliver a mutual fund prospectus, or a summary prospectus, to the purchasing customer. As such, the firm was required to establish and maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. The findings also stated that the firm relied on its registered representatives for the delivery of mutual fund prospectuses. Each registered representative was required to obtain the customer's signature on a prospectus receipt form to document delivery of the prospectus. However, the firm did not have a supervisory system in place that was reasonably designed to ensure that prospectus receipts had been obtained in connection with mutual fund purchases or that a prospectus had actually been delivered timely. The firm's WSPs did not require an adequate review of its registered representatives' performance of their prospectus delivery obligations. Instead, the firm's procedures consisted of inadequate measures. The findings also included that for some time, the firm was aware that its procedures were failing to ensure that its registered representatives consistently obtained prospectus receipts or other evidence of mutual fund prospectus delivery. On at least two occasions since that time, the firm considered proposals to modify its procedures for tracking prospectus delivery compliance, but the firm did not modify or enhance its procedures and continued to rely upon registered representatives without adequate controls or safeguards to ensure and monitor mutual fund prospectus delivery. (**FINRA Case #2011029101501**)

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $265,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed more than eight million cross transactions that were also short sales but reported these trades to the FNTRF without a short sale modifier. The findings stated that the firm failed to have adequate WSPs reasonably designed to ensure compliance with FINRA Rules 6182 and 7230A(d)(6) and NASD Rule 6130(d)(6). (**FINRA Case #2008013213201**)

National Securities Corporation (CRD #7569, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $65,000, and required to certify within 60 days of acceptance of the effective date of this AWC, that the firm is in compliance with FINRA Rule 3310 by establishing and implementing AML policies, procedures, and internal controls with respect to its monitoring for suspicious transactions that are reasonably designed to achieve compliance with the requirements of the Bank Secrecy Act (BSA) and the Treasury's implementing regulations. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and implement AML program policies, procedures and internal controls that are reasonably expected to detect and cause the reporting of suspicious transactions under the BSA. The findings stated that the firm's supervision department was responsible for the daily review of customer account activity, primarily through the review of consolidated trade blotters provided by a third-party books-and-records system. Each reviewer only received the trade blotters for the trading activity for which he or she was responsible. No one at the firm reviewed the trading activity for patterns of suspicious trading activity on a firmwide basis. None of the firm's systems or internal controls were designed to capture potentially suspicious trading activity, and no one was tasked with reviewing firm and customer activity as a whole to detect patterns of potentially suspicious activity. The findings also stated that the firm did not have a system or exception report to detect match trades or other suspicious trading patterns for signs of potential market manipulation. Certain matched trades that occurred between customer accounts at two different firm branch offices were not captured by the firm's daily trade blotter, so they were never detected or investigated. The findings also included that potentially suspicious trading activities occurred in accounts that traded on the lowest tier of the OTC Bulletin Board™ (OTCBB™), but there isn't any evidence the firm detected, investigated or considered as potentially suspicious any of the trading activity in the stock. (**FINRA Case #2009018196502**)

Neuberger Berman LLC (CRD #2908, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $85,000 and required to revise its WSPs regarding transactions between related accounts, wash sales, pre-arranged trading and other similar prohibited trading activities. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its supervisory system relating to the broker-dealer portion of its business did not provide

for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning transactions between related accounts, wash sales, pre-arranged trading and other similar prohibited trading activities. The findings stated that the firm failed to contemporaneously maintain documentary evidence that it performed supervisory reviews concerning transactions between related accounts, wash sales, pre-arranged trading and other similar prohibited trading activities. (**FINRA Case #2009018890501**)

OptionsXpress, Inc. (CRD #103849, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $25,000 and required to revise its WSPs regarding municipal trade reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct destination code to the Real-time Transaction Reporting System (RTRS) in its municipal securities transaction reports; the firm reported transactions as step-outs when it should have reported them as inter-dealer transactions. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning municipal trade reporting. The findings also stated that the firm failed to report information regarding purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual; the firm failed to report information about such transactions within 15 minutes of trade time to an RTRS Portal. (**FINRA Case #2010024033301**)

RBC Capital Markets, LLC (CRD #31194, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $62,500 and required to revise its WSPs regarding minimum requirements for registration of TRACE-eligible securities. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS; reported an erroneous routing destination code; reported an incorrect routing firm market participant identifier (MPID); submitted inaccurate information to OATS for an order; failed to report both Cancel-Replace (CR) and Cancel (CL) events for an order; reported an incorrect capacity to OATS; reported a principal capacity to OATS when the order was filled in a riskless principal capacity; and failed to report a next day settlement special handling code to OATS. The findings also stated that the firm matched trade reports to the FNTRF with an inaccurate capacity and reported non-media reported trades with an inaccurate Related Market Center code. The findings also included that the firm purchased municipal securities for its own account from customers and/or sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transactions; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total

dollar amount of the transaction. FINRA also found that the firm, as managing underwriter, failed to timely report new issues in TRACE-eligible securities to FINRA according to the time frames set forth in FINRA Rule 6760. FINRA also found that the firm failed to report S1 block size transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. Finally, FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing minimum requirements for registration of TRACE-eligible securities. (**FINRA Case #2010021496301**)

RBS Securities Inc. (CRD #11707, Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $27,500 and required to revise its WSPs regarding TRACE new issue reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to report new issue offerings in TRACE-eligible corporate debt securities to FINRA according to the time frames set forth in FINRA Rule 6760. The findings also stated that the firm's supervisory system did not adequately provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning TRACE new issue reporting. (**FINRA Case #2010025470801**)

Sanders Morris Harris Inc. (CRD #20580, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $50,000 and required to revise its WSPs regarding OATS supervision and OATS reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS on numerous business days. The findings stated that the firm's supervisory system failed to designate an appropriately registered principal(s) with authority to carry out the supervisory responsibilities with respect to OATS supervision. The findings also stated that the firm failed to provide documentary evidence that during the review period, it performed the supervisory reviews set forth in its WSPs concerning OATS reporting. (**FINRA Case #2011027424701**)

Santander Investment Securities, Inc. (CRD #37216, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $350,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that a registered firm principal had been tasked with assessing interest within the U.S. institutional investor community for funds managed by a non-FINRA-regulated fund manager affiliated with the firm but located outside the United States. The principal, along with other registered representatives and several non-registered personnel, contacted investors concerning the future purchase of the non-U.S. funds but none of the institutional investors agreed to purchase the funds. The findings stated that the firm failed to have an appropriately registered person supervise the principal and other registered personnel in connection with contacting U.S. institutional investors. The firm did

not have a system to adequately supervise communications between the principal, other registered representatives, non-registered firm employees and the investors concerning the purchase of the non-U.S. funds. The findings also stated that the communications occurred at presentations to potential investors where sales literature (fund materials) was provided to the investors. The firm did not designate an appropriate firm-registered individual to ensure its policies and procedures were enforced in this area. The firm did not apply its existing policies and procedures related to communications with the public and the review and approval of the fund materials and presentations. None of the materials were reviewed or approved by the firm's compliance department to ensure the materials were fair and balanced, so it failed to maintain copies of the distributed material as required. The findings also included that the principal distributed communications to the investing public that contained the fund materials; the communications did not provide a sound basis for evaluating the facts and contained exaggerated and unwarranted claims. (**FINRA Case #2009016628401**)

Scottrade, Inc. (CRD #8206, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted ROEs to OATS that OATS rejected for context or syntax errors; the ROEs were repairable but the firm failed to repair some of them, so it failed to submit them during the review period. The findings stated that the firm also failed to repair some of the rejected ROEs within the required five business days and failed to populate the correct ROE reconciliation ID on some resubmissions. (**FINRA Case #2011028358701**)

Scottrade, Inc. (CRD #8206, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it contracted with a third-party service provider for the delivery of mutual fund prospectuses. The firm failed to deliver on time, or failed to ensure that the service provider delivered on time, prospectuses to certain customers who purchased mutual funds. In numerous instances, the firm's customers who should have received a prospectus within three business days of the transaction did not. The firm did not take actions to ensure that all of its customers were receiving prospectuses on time. The findings also stated that because of the firm's failure to deliver prospectuses on time to a significant number of customers who purchased mutual funds, these customers were not provided with important disclosures about these products by settlement date in contravention of Section 5(b)(2) of the Securities Act. The findings also included that the firm executed mutual fund purchase transactions that required it to deliver a mutual fund prospectus, or a summary prospectus, to the purchasing customer. As such, the firm was required to establish and maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. FINRA found that the firm's WSPs did not require review of the service provider's performance of its prospectus-delivery obligations. Even following an internal audit of its procedures one year, in which the

auditor recommended that the firm implement such a review, it did not review the service provider's performance. Instead, the firm's system for supervising the timely delivery of mutual fund prospectuses involved almost complete reliance on the service provider. The firm did not have a system or procedures in place that were reasonably designed to ensure that mutual fund prospectuses were being delivered on a timely basis consistent with Section 5(b)(2) of the Securities Act, and failed to implement and maintain such a supervisory system and WSPs. (**FINRA Case #2011029102701**)

State Farm VP Management Corp. (CRD #43036, Bloomington, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $155,000. In assessing the sanctions in this matter, FINRA took into account the fact that the firm self-reported the failures to deliver or timely deliver updated mutual fund prospectuses. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system or written procedures reasonably designed to ensure timely delivery of mutual fund prospectuses, when it was required to provide each of its customers who purchased a mutual fund a prospectus for that fund no later than three business days after the transaction. The findings stated that the firm executed numerous mutual fund purchase transactions that required it to deliver a mutual fund prospectus, or a summary prospectus, to the purchasing customer, and as such, was required to establish and maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. The findings also stated that the firm failed to establish, maintain and enforce an adequate supervisory system or written procedures to supervise mutual fund prospectus delivery, when it had inadequate systems and procedures in place to monitor and ensure compliance with its WSPs directive concerning delivery of a current mutual fund prospectus by its registered representatives to each client prior to or at the time of the sales presentation in which the representative recommended or discussed a specific mutual fund. The firm also had inadequate systems and procedures in place to monitor or oversee the performance of its service provider, a third-party service provider, in order to ensure that mutual fund prospectuses were being delivered timely. The findings also included that the firm failed to enforce its procedures requiring delivery of undated mutual fund prospectuses to certain fund holders. The firm's procedures required delivery of mutual fund prospectuses following fund companies' annual updates to their prospectuses; however, during a period, the firm failed to deliver prospectuses to certain mutual fund holders following the annual updates of the funds' prospectuses. During that period, the firm's customers were given an option to opt out of house-holding when completing paper applications. The firm did not adequately monitor its third-party vendor to ensure the mailing list was complete; as a result, the firm failed to deliver updated prospectuses to certain fund holders as its procedures required. FINRA found that the firm failed to implement a supervisory system and procedures that were reasonably designed to review, monitor and retain email registered representatives sent to customers. The firm permitted registered representatives to use an email application program for pre-approved email communications with customers and used a third party service provider for email

archival. For supervisory purposes, all registered representatives were required to copy all securities-related messages into a particular mailbox. The firm's compliance department was responsible for reviewing the emails in that box. The firm did not retain securities-related emails not copied to this mailbox, but established procedures, through email reviews, to verify whether registered representatives were complying with these directives. The firm was aware that not all of its registered representatives were complying with firm procedures. Because of the reviews, the firm discovered numerous incidents of non-compliance with firm guidelines regarding selected representatives' use of the mailbox. Notwithstanding this discovery, the firm failed to expand its reviews or otherwise modify its procedures. (**FINRA Case #2011029102801**)

Stephens Inc. dba Stephens (CRD #3496, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $10,000 and required to revise its WSPs with respect to TRACE reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct contra-party's identifier for S1 transactions in TRACE-eligible corporate debt securities to TRACE. The findings stated that in addition, the firm failed to report S1 transactions in TRACE-eligible corporate debt securities that it was required to report to TRACE. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws, regulations and FINRA rules concerning TRACE reporting. (**FINRA Case #2011027212001**)

TD Ameritrade Clearing, Inc. (CRD #5633, Bellevue, Nebraska) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct execution time to the over-the-counter (OTC) Reporting Facility in numerous non-media reported transactions in OTC equity securities. (**FINRA Case #2010024291301**)

TJM Investments, LLC (CRD #46300, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $30,000 and required to revise its WSPs regarding FINRA's trade reporting rules. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit last sale reports of transactions in national market system (NMS) securities to the FNTRF within 30 seconds after execution. The findings stated that the firm failed to report the correct execution time to the FNTRF in last sale reports of transactions in designated securities. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with FINRA's trade reporting rules. The findings also included that the firm failed to submit ROEs to OATS, which represented 75 percent of its total reporting obligation during the review period. FINRA found that the firm failed to enforce its WSPs, which specified it would review the OATS website daily to ensure proper Firm Order Report (FORE) file submission and acceptance and to review for unmatched route reports. (**FINRA Case #2011028356801**)

Toussaint Capital Partners, LLC (CRD #130290, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $17,500, and required to revise its WSPs regarding MSRB reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to report the correct trade execution time for transactions in TRACE-eligible securities to TRACE. The findings also stated that the firm failed to preserve for a period of not less than three years, the first two in an accessible place, brokerage order memoranda. The findings also included that the firm failed to report information regarding purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual; the firm failed to report information about such transactions within 15 minutes of trade time to an RTRS Portal. FINRA also found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning MSRB reporting. (**FINRA Case #2009018918301**)

Tradewire Securities, LLC (CRD #142348, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $125,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and implement adequate AML procedures and controls, including requiring due diligence to be performed on correspondent accounts for foreign financial institutions, monitoring new rules proposed under Section 311 of the USA Patriot Act, evidencing its searches of its records as required by Section 314 of the USA Patriot Act, and freezing and prohibiting transactions by persons suspected of terrorist activities under Executive Order #13224. The findings stated that the firm's AML procedures were inadequate in that it incorrectly identified the firm's AML compliance officer (AMLCO), incorrectly stated the firm did not maintain customer accounts or maintain accounts for foreign correspondent banks when it did, and incorrectly stated it would not open or maintain private banking accounts or accounts on behalf of senior foreign political figures or public officials when it did. The findings also stated that the firm executed customer transactions for off-shore hedge funds and foreign banks and was required to conduct an annual AML test of its AML program for those years but failed to do so. The findings also included that the firm failed to have procedures to conduct due diligence and failed to conduct due diligence on correspondent accounts for two years. The firm failed to collect identifying information in a CIP and failed to verify the identity of the owners of DVP accounts. The firm failed to obtain foreign bank certifications for some of its foreign banks, which maintained correspondent accounts at the firm for two years.

FINRA found that the firm failed to develop and implement a written AML compliance program that was reasonably designed to achieve compliance with the BSA, regulations promulgated thereunder, and applicable FINRA and NASD rules. FINRA also found that the firm failed to establish an adequate system of supervisory control procedures. The firm

failed to review a producing manager's trading activity, conduct a test of its supervisory control system, provide an annual report about its supervisory control system to senior management, and certify its compliance and supervisory processes. In addition, FINRA determined that the firm upgraded its computer systems to capture and monitor instant messages (IMs) and email from external email addresses, but the upgrade was not installed on new firm employees' computers, so it failed to capture, maintain and review incoming and outgoing IMs and email pertaining to some employees. The firm assigned two general securities representatives to review the firm's email but they were not registered firm principals, so the firm failed to comply with FINRA/NASD rules regarding review of correspondence by a registered firm principal. Moreover, FINRA found that the firm failed to conduct annual inspections of one OSJ for three years and failed to conduct annual inspections of another OSJ for two years. Furthermore, FINRA found that the firm failed to enforce WSPs including requiring quarterly reviews of internal computer systems and privacy protections, maintaining all electronic communications, order memoranda to identify the individual who entered and accepted orders on behalf of customers, inspection of branch offices, supervision of employees' outside brokerage accounts, and physical addresses, rather than post office boxes as customers' addresses of record. (**FINRA Case #2009015980301**)

T. Rowe Price Investment Services, Inc. (CRD #8348, Baltimore, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to deliver prospectuses to mutual fund customers within three business days of their purchases. The findings stated that the firm's clearing firm contracted with a third-party service provider for the delivery of mutual fund prospectuses for certain of the clearing firm's introducing brokers, including the firm. On a daily basis, the clearing firm provided the service provider with electronic information regarding mutual fund transactions requiring delivery of a prospectus to the firm's customers. The clearing firm also provided daily and monthly reports to the firm. The firm did not establish or implement adequate systems or procedures for review of the daily reports. Although the firm's procedures required review of the monthly reports, they did not specifically or adequately describe what the reviewer was required to look for or what actions the reviewer was required to take in the event that prospectus delivery deficiencies were identified. The findings also stated that the firm did not take sufficient actions to ensure that all of its customers were receiving prospectuses on time. The findings also included that because of the firm's failure to timely deliver prospectuses to certain customers who purchased mutual funds, these customers were not provided with important disclosures about these products by settlement date in contravention of Section 5(b)(2) of the Securities Act.

FINRA found that the firm executed numerous mutual fund purchase transactions that required it to deliver, or cause to be delivered, a mutual fund prospectus, or a summary prospectus, to the purchasing customer. As such, the firm was required to establish and

maintain a supervisory system and WSPs reasonably designed to monitor and ensure the timely delivery of mutual fund prospectuses. FINRA also found that the firm's WSPs did not require an adequate review of the service provider's performance of its prospectus delivery obligations. Instead, the firm's system for supervising the timely delivery of mutual fund prospectuses involved substantial reliance on the clearing firm and the service provider. The firm lacked an adequate supervisory system or procedure that was reasonably designed to ensure that mutual fund prospectuses were being delivered on a timely basis consistent with Section 5(b)(2) of the Securities Act, and failed to implement and maintain such a supervisory system and WSPs. (**FINRA Case #2011029102901**)

thinkorswim, Inc. nka Bellevue Chicago, LLC (CRD #106069, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $200,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that one of the firm's non-broker-dealer customers entered into certain options exchanges thousands of deliberately losing one-lot option order pairs solely to boost its total number of executions and thereby reduce its exposure to exchange cancellation fees, which generally were based on the number of cancellations in excess of executions. The findings stated that the customer's one-lot option orders entered to execute this strategy resulted in thousands of potentially violative wash trades executed between the customer's sub-accounts. Despite red flags that alerted, or should have alerted, the firm to the customer's trading strategy and potentially violative wash trades, the firm failed to take steps to prevent such activity. The findings also stated that the firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable federal securities laws, regulations and FINRA rules with respect to potentially violative trading activity, including potentially violative wash trades. (**FINRA Case #2008015718201**)

WP Securities, Inc. dba Western Pacific Securities, Inc. (CRD #26354, Fresno, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it accepted funds for investment in some entities' offerings when the escrow agreements did not contain an agreement by a bank, as escrow agent, to hold all such funds in escrow for the persons who have the beneficial interests therein and to transmit or return such funds directly to the persons entitled thereto when the appropriate event or contingency occurred. The findings stated that a broker-dealer cannot accept all or a portion of the invested funds unless the escrow agreement contains this language. As a result, the firm willfully violated Section 15(c) of the Exchange Act and Rule 15c2-4. The findings also stated that for these offerings, the firm maintained a blotter or spreadsheets for investor and investment information. With regard to some checks deposited into the escrow accounts, the blotter and spreadsheets did not contain the date the firm received each check or the date the firm forwarded each check for deposit. Therefore, the firm willfully violated Section 17(a) of the Exchange Act

and Rule 17a-3, when it did not capture all checks received and forwarded information for the offerings. The findings also included that the firm did not maintain and preserve all of its business-related emails. As a result, the firm willfully violated Section 17(a) of the Exchange Act and Rules 17a-4(b)(4) and 17a-4(f). FINRA found that the firm did not implement its procedures concerning the escrow agreements and the monitoring of the escrow accounts contained in its revised supervisory procedures manual. The firm's previous and revised procedures were inadequate in that they lacked specificity concerning the review of escrow agreements to ensure that they were in compliance with Exchange Act Rule 15c2-4, the method of monitoring escrow accounts to ensure that there weren't any premature distributions, and the verification of the recording and transmittal of customer checks. FINRA also found that the firm did not maintain adequate procedures concerning the preservation of emails and monitoring for preservation of emails. (**FINRA Case #2008011624001**)

Individuals Barred or Suspended

Enver Rahman Alijaj (CRD #4943780, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Alijaj consented to the described sanctions and to the entry of findings that he charged excessive commissions in connection with equity security trades in a member firm customer's account. All of the trades involved purchases of widely traded common stocks, with commission charges ranging from 4.3 percent to 4.9 percent per trade. Alijaj's general practice was to charge his customers a commission between 4.5 percent and 4.9 percent on all stock purchases, regardless of the stock involved or the amount of the trade. Generally, Alijaj did not charge any commission on sales. The findings stated that Alijaj failed to consider the factors set forth in NASD IM-2440 in determining the commissions he charged the customer. Neither market conditions, the rendering of special services, the expense of executing the trades, nor any other factor justified the commissions Alijaj charged the customer.

The suspension is in effect from January 22, 2013, through March 21, 2013. (**FINRA Case #2011026958201**)

Kushtrim Blaku (CRD #4699929, Registered Representative, Hackensack, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Blaku consented to the described sanction and to the entry of findings that he failed to provide FINRA with information requested to determine whether he failed to disclose a material reportable event concerning his criminal history on his Form U4. The findings stated that Blaku communicated, through counsel, that he would not be cooperating with FINRA's inquiry. (**FINRA Case #2012033399601**)

Christopher Michael Bones (CRD #2767425, Registered Representative, Eugene, Oregon) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Bones consented to the described sanctions and to the entry of findings that he exercised trading discretion in customers' accounts following an agreed-upon investment strategy, but did not always notify the customers prior to placing a trade in their accounts. None of the customers provided Bones with written authorization to exercise any discretionary power and his member firm did not authorize these accounts as discretionary. The findings stated that in fact, as was known to Bones, his member firm's policies prohibited the exercise of discretionary power in any client's account.

The suspension was in effect from January 7, 2013, through January 28, 2013. (**FINRA Case #2010025372001**)

Stewart Braunstein (CRD #29326, Registered Representative, Owings Mills, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Braunstein's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Braunstein consented to the described sanctions and to the entry of findings that he knowingly violated FINRA test center rules by taking unauthorized materials with him while taking the Regulatory Element training program of the Continuing Education Requirement. The findings stated that Braunstein took blank post-it notes into the center, concealed them from the testing proctor, and then, during the training, wrote the letter answer to certain of the multiple-choice questions on the post-it notes.

The suspension is in effect from December 17, 2012, through June 16, 2013. (**FINRA Case #2011029930801**)

David Shelton Brown Jr. (CRD #1837205, Registered Principal, Wake Forest, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 days. The fine must be paid either immediately upon Brown's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Brown consented to the described sanctions and to the entry of findings that he was the representative for a customer—a relative of Brown's former wife—who often travelled overseas for work for extended periods of time. During a six-month period, Brown effected discretionary transactions in the customer's account in ETFs, without the customer's prior written authorization, and without his firm's written acceptance of the

account as discretionary. The trading was profitable to the customer, and in total, Brown earned commissions of $2,891 relating to these transactions. The findings stated that the firm detected Brown's discretionary trading when it received a complaint from the customer regarding various transactions in his account. After discussing the customer's inquiry with Brown, the firm determined that Brown had exercised discretion in the customer's non-discretionary account without the firm's prior written authorization. The findings also stated that the customer believed that it was Brown's role, as his broker, to exercise discretion in his account. It was therefore his understanding at the time of the discretionary trades that Brown would be exercising discretion and that Brown had the authority to do so. Yet, pursuant to firm policy, commission-based brokerage accounts, such as the customer's account, could not be traded on a discretionary basis. Even if Brown had obtained the customer's written authorization to exercise discretion, and had submitted a written request for firm acceptance of the account as discretionary, the firm would have rejected the request. The findings also included that the firm settled the customer's complaint for $6,245.69 and terminated Brown's employment.

The suspension was in effect from January 7, 2013, through January 16, 2013. (**FINRA Case #2011027903901**)

Steven Brian Castro (CRD #4578029, Registered Representative, Chandler, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Castro's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Castro consented to the described sanctions and to the entry of findings that he failed to update his Form U4 to disclose felony charges related to aggravated driving or actual physical control while under the influence of intoxicating liquor or drugs.

The suspension is in effect from December 17, 2012, through March 16, 2013. (**FINRA Case #2011029943901**)

Ross M. Chaisson (CRD #4851344, Registered Representative, Meraux, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Chaisson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Chaisson consented to the described sanctions and to the entry of findings that he submitted a life insurance application for his uncle, and the underwriter noted that a previous application on the uncle's behalf had been denied due to abnormal blood test results and ordered that Chaisson's uncle submit to a telephonic medical history interview. Chaisson telephoned the company conducting the interview from his own cellular

telephone and impersonated his uncle—who did not participate in the call—during the interview. When his firm questioned him about the interview, Chaisson initially lied and stated that his uncle had made the phone call and participated in the interview.

The suspension was in effect from December 17, 2012, through January 30, 2013. (**FINRA Case #2012031427001**)

Richard Grant Cody (CRD #2794558, Registered Representative, Wall, New Jersey) was fined a total of $27,500 and suspended from association with any FINRA member in any capacity for one year. The United States Court of Appeals for the First Circuit affirmed an SEC decision, which had sustained a NAC decision. The sanctions were based on findings that Cody engaged in unsuitable and excessive trading in customers' accounts, provided his customers with account summaries that contained materially misleading account values and failed to timely update his Form U4 to disclose customer settlements.

The suspension is in effect from January 7, 2013, through January 6, 2014. (**FINRA Case #2005003188901**)

Joseph Edward Conti (CRD #1230968, Registered Principal, Lantana, Florida) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any principal capacity and suspended from association with any FINRA member in any capacity for three months. In light of Conti's financial status, no monetary sanctions have been imposed. Without admitting or denying the allegations, Conti consented to the described sanctions and to the entry of findings that he negligently and repeatedly made false oral and written representations to FINRA that an individual was his member firm's financial and operations principal (FINOP) when he was not acting in that capacity. The findings stated that Conti's firm did not have a FINOP and no one performed the functions usually performed by a FINOP. The findings also stated that by negligently and repeatedly providing false information to FINRA, Conti impeded FINRA's examination.

The suspension is in effect from December 17, 2012, through March 16, 2013. (**FINRA Case #2010020903201**)

Ronald Robert Covington (CRD #1328039, Registered Representative, Fort Wayne, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Covington consented to the described sanctions and to the entry of findings that he was obligated to update his Form U4 to disclose that he was subject to Internal Revenue Service (IRS) tax liens. The findings stated that Covington failed to ensure that his Form U4 was updated to disclose the tax liens until well after he was required to do so under NASD and FINRA rules.

The suspension is in effect from January 22, 2013, through February 20, 2013. (**FINRA Case #2010025367602**)

Donald Richard Dahn (CRD #2172800, Registered Representative, Palm City, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for six months. In light of Dahn's financial status, no monetary sanction was imposed. Without admitting or denying the findings, Dahn consented to the described sanction and to the entry of findings that he borrowed a total of $240,900 in business loans from customers, for operating expenses for a company Dahn and his brother ran, and failed to disclose the loans to his member firm. The findings stated that in two of the cases, Dahn co-signed promissory notes executed on behalf of the customers. The firm's written supervisory procedures prohibited borrowing money from customers. Dahn failed to repay the loans to the customers, which his firm ultimately reimbursed.

The suspension is in effect from December 17, 2012, through June 16, 2013. (**FINRA Case #2011028370001**)

Larry Reid Daniels (CRD #2322859, Registered Principal, Soddy Daisy, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 10 business days. In light of Daniels' financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Daniels consented to the described sanction and to the entry of findings that he sold securities products through his member firm and insurance products through an outside business entity. The findings stated that Daniels sent firm-related emails from his personal email referencing his website, where he marketed insurance products, but the website also stated that he provided securities products through his firm.

The suspension was in effect from January 22, 2013, through February 4, 2013. (**FINRA Case #2010023928101**)

David Paul Diehl (CRD #2604969, Registered Representative, St. Peters, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Diehl's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Diehl consented to the described sanctions and to the entry of findings that he borrowed, in total, $127,000 from his customer without his member firm's prior written approval. The findings stated that Diehl entered into an agreement whereby his customer's company would loan funds to Diehl's wife. The intent of the agreement was for Diehl to indirectly receive the funds in exchange for training the customer's son in the securities industry. Diehl's firm allowed loans from customers to registered representatives under certain circumstances, but required that the representative obtain the firm's written approval prior to borrowing. The findings also stated that Diehl failed to timely amend his Form U4 to disclose a tax lien filed, related to income taxes Diehl owed, after first learning of the lien.

The suspension is in effect from December 17, 2012, through April 16, 2013. (**FINRA Case #2012031952301**)

Stephen Luke Dolan (CRD #2831391, Registered Principal, Pelham, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was censured, fined $7,500, and suspended from association with any FINRA member in any capacity for 10 weeks. Without admitting or denying the findings, Dolan consented to the described sanctions and to the entry of findings that he was the trader who was responsible for ensuring that the volume his member firm advertised in a given security was accurate. For eight months, Dolan manually advertised trade volumes for securities with vendors that substantially exceeded his firm's executed trade volume. In some instances, the firm did not trade any volume, but Dolan advertised anywhere from 22,141 to 277,777 shares. In other instances, Dolan over-advertised the firm's traded volume by between 5 percent and 76,900 percent. The findings stated that the number of shares Dolan manually advertised did not have any apparent relationship to the number of shares actually traded and instead, followed a pattern such that the same exact number of shares was advertised for different stocks on different days. Some of the instances related to one security, which was on the firm's focus list; the focus list was generated by the firm's investment banking group to identify for traders those securities in which the firm should maintain as active a market as possible. The findings also stated that the firm was ranked number one or two in volume for one security every week in which Dolan over-advertised volume in that security. During the period in which Dolan did not over-advertise in that security, his firm's rank in it dropped to number six.

The suspension is in effect from December 17, 2012, through February 24, 2013. (**FINRA Case #2008013679402**)

Bertram John Elgersma (CRD #3042508, Registered Principal, Shelbyville, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Elgersma consented to the described sanctions and to the entry of findings that he was introduced to a company in the business of manufacturing railroad cross ties made of garbage and plastics, invested in the company, and provided certain services in support of the company's business operations, for which he received compensation on behalf of his office staff in the form of company stock, without providing written notice to, or receiving approval from, his member firm for the full extent of these outside business activities.

The suspension was in effect from January 7, 2013, through February 6, 2013. (**FINRA Case #2011028852001**)

Dalvin Sergio Estrada (CRD #4973962, Registered Representative, South Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Estrada consented to the described sanction and to the entry of

findings that he possessed and had access to unauthorized written materials to assist him while taking the Series 7 qualification examination. The findings stated that before the Series 7 examination began, Estrada placed his study materials in the restroom examinees used. During the test, Estrada took unscheduled bathroom breaks lasting approximately 10 minutes each. The test proctor found Estrada's study materials in the ceiling tiles of the restroom while Estrada was taking his examination. (**FINRA Case #2012030955101**)

Thomas Michael Fanning (CRD #1107203, Registered Principal, Birmingham, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Fanning consented to the described sanctions and to the entry of findings that he borrowed $19,200 from a member firm customer contrary to the firm's written procedures, which generally prohibited registered persons from borrowing money from a customer. The only exceptions were if the lender was a registered person with the firm and the firm approved the loan after receiving written notice; or an immediate family member of the registered person. The customer was not Fanning's immediate family member, nor was the customer a registered person with the firm. The findings stated that Fanning completed firm compliance questionnaires, in which each of these internal forms questioned whether Fanning had borrowed from or loaned money or securities to any client, excluding family members. On each questionnaire, Fanning answered "No" to this question, which was false. The findings also stated that firm auditors inspected Fanning's branch office annually. During these audits, Fanning was interviewed and was asked, among other things, whether he borrowed or loaned money or securities to or from any clients. In each instance, Fanning falsely responded "No."

The suspension is in effect from January 22, 2013, through March 21, 2013. (**FINRA Case #2011028429801**)

Martin Benjamin Feibish (CRD #205556, Registered Representative, Providence, Rhode Island) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Feibish consented to the described sanction and to the entry of findings that he developed a scheme to misappropriate more than $5 million from an elderly customer by investing her money in fictitious investment vehicles, and forging her relatives' signatures. The findings stated that by virtue of this conduct, Feibish willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, FINRA Rules 2010 and 2150(a), and NASD Rules 2110, 2120 and 2330(a). Feibish began using a company he established to create false investment vehicles. Feibish created false promissory notes through the company, which evidenced a purported interest in mortgage-backed securities. The findings also stated that Feibish persuaded the customer to purchase false promissory notes. Feibish created and provided the customer with false documentation evidencing the purported mortgage-backed securities and IRS Form 1099s, to convince the customer that she was invested in legitimate investment vehicles. Feibish took funds

from the customer for the non-existent investments and placed them in a bank account he controlled in his company's name. The findings also included that over time, Feibish had checks issued from the company bank account to the customer. Feibish told the customer that these payments represented the interest payments from the investments, but were actually the return of the customer's own money. As time progressed, Feibish convinced the customer to reinvest the money in additional fictitious investment vehicles, including promissory notes from a bank. FINRA found that in furtherance of this misconduct, Feibish forged the names of the customer and her relatives to open trust accounts in their names at the bank. As with the previous false investments, payments issued from the accounts at the bank were not proceeds from the investments, but simply a return of the customer's money. Feibish continued to convince the customer to reinvest the purported proceeds in additional false investment vehicles to avoid returning money to her. FINRA also found that Feibish managed insurance plans belonging to the customer, and for the benefit of her relatives. Feibish told the customer he was paying the premiums on those policies, when in fact he had forged the relatives' signatures and borrowed approximately $280,000 against them. Feibish routinely had false documentation issued to the customer, including false promissory notes and falsified account statements. (**FINRA Case #2011026750303**)

Gary Reed Feldman (CRD #1705897, Registered Representative, North Caldwell, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $25,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Feldman's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Feldman consented to the described sanctions and to the entry of findings that he sent emails to numerous individuals, many of whom he did not know, soliciting investment in an unregistered security contrary to Section 5 of the Securities Act of 1933, which prohibited Feldman from offering interests in the security to individuals through general solicitations. Two individuals eventually invested a total of $125,000 in the security. The findings stated that Feldman included numerous statements in his emails that failed to provide fair and balanced treatment of risks; failed to provide a sound basis for evaluation; and/or were false, exaggerated, unwarranted or misleading. Despite both purchases in the unregistered security occurring while Feldman was registered with a member firm, he did not provide prior written notice of the transactions, nor did the firm grant him approval to participate in the transactions.

The suspension is in effect from December 17, 2012, through March 16, 2013. (**FINRA Case #2011027874701**)

David Brent Fennema (CRD #3031864, Registered Principal, Grand Rapids, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Fennema consented to the described sanctions

and to the entry of findings that he was introduced to an investment opportunity involving a company in the business of manufacturing railroad cross ties made of garbage and plastics, invested in the company and referred other member firm customers to promoters for the company. The customers invested a total of $190,000 in these securities in the form of promissory notes the company issued. The findings stated that Fennema provided other services in support of the company's sales efforts, without his firm's approval, written or otherwise. Neither Fennema nor the other investors received any return on their investment in the company.

The suspension is in effect from January 7, 2013, through April 6, 2013. (**FINRA Case #2011028852002**)

Christopher Michael Frank (CRD #2061741, Registered Supervisor, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Frank's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Frank consented to the described sanctions and to the entry of findings that he effected numerous options transactions in the accounts of his relative and firm customer, without prior written authorization from the customer to use discretion, and without prior acceptance of the account as discretionary by his member firm and a firm registered options principal. The findings stated that the customer sent Frank an email complaining that options transactions effected in his account were not authorized. Frank responded by sending an email from his personal email account, contrary to firm written procedures that prohibited the use of personal email for any firm business.

The suspension was in effect from December 17, 2012, through January 8, 2013. (**FINRA Case #2009018437501**)

Tony Fung (CRD #2705892, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Fung's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Fung consented to the described sanctions and to the entry of findings that he joined a real estate company's Board of Directors and acted in that capacity, without providing prior written notice to his member firm regarding this outside business activity.

The suspension was in effect from January 7, 2013, through January 18, 2013. (**FINRA Case #2011029832701**)

Jeffrey Alan Gielau (CRD #2378363, Registered Representative, Anaheim Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Gielau's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gielau consented to the described sanctions and to the entry of findings that he had his non-licensed sales assistant sign as agent of record on a customer's VA replacement form. The findings stated that the form was necessary for the customer to replace a VA he purchased from the firm where Gielau had been terminated for falsifying customer signatures with a product from another insurance company. Gielau knew that his sales assistant, as a non-licensed person, was not allowed to sign the form as the agent of record.

The suspension was in effect from January 7, 2013, through February 5, 2013. (**FINRA Case #2012031510701**)

Manuel Cohen Gonzalez IV (CRD #3255105, Registered Principal, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $2,500 and suspended from association with any FINRA member in any capacity for 20 business days. The fine must be paid either immediately upon Gonzalez's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gonzalez consented to the described sanctions and to the entry of findings that his firm's policies required that he obtain three competing bids for fixed income security trades, and document the receipt of such bids on order tickets. The findings stated that Gonzalez wrote on order tickets that he had obtained three competing bids for customers' fixed income security trades when he had not obtained the bids. On one occasion, a customer received $782 below market value for the sale of a bond as a result of Gonzalez's failure to obtain competing bids. By writing on order tickets that he had obtained the required bids when he had not, Gonzalez caused his firm's books and records to be inaccurate, in violation of Rule 17a-3 under the Securities and Exchange Act of 1934.

The suspension was in effect from December 17, 2012, through January 15, 2013. (**FINRA Case #2012031521601**)

Rodney Patrick Gray (CRD #2404760, Registered Representative, Alexandria, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Gray consented to the described sanctions and to the entry of findings that his former firm notified his new firm that it believed that Gray had improperly taken non-public customer information with him when he transferred firms. The new firm's internal investigation found that Gray retained the information of his former firm's customers, including information for certain individuals whose accounts Gray

did not service at his former firm. The findings stated that the information Gray retained included Social Security numbers and other information constituting non-public personal information under Regulation S-P. Gray opened accounts at his new firm for some of those former firm customers. After his new firm notified Gray that it had received the complaint from his former firm, Gray turned over to his new firm the non-public information of concern then in his possession. The new firm then returned this non-public customer information to the former firm.

The suspension was in effect from January 22, 2013, through February 11, 2013. (**FINRA Case #2010025124001**)

Hilliard Elias Griffin III (CRD #3016911, Registered Representative, Coffeeville, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Griffin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Griffin consented to the described sanctions and to the entry of findings that he failed to disclose to his firm that he was the joint owner of two outside brokerage accounts, and failed to disclose to the two executing firms that he was an associated person of a FINRA member firm. The findings stated that Griffin inaccurately certified to his firm that he did not have any outside brokerage accounts.

The suspension was in effect from December 17, 2012, through February 14, 2013. (**FINRA Case #2010024931401**)

James Douglas Grimes (CRD #4106942, Registered Principal, Lawrence, Pennsylvania) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Grimes consented to the described sanction and to the entry of findings that he transferred $306,000 from customers' accounts to a business account another customer owned, without any of the customers' consent or knowledge. The findings stated that Grimes effected the unauthorized transfers by submitting written journal request forms to his firm that contained forged client signatures. Grimes wrote numerous checks, most made payable to cash, totaling $250,446, withdrawing funds from the business account and converted the proceeds for his personal use. Grimes forged the signature of the owner of the business account on those checks. The findings also stated that the firm maintained the journal request forms and the numerous checks as part of its books and records. Those documents appeared to contain genuine customer signatures, but the signatures were forged so the records were therefore inaccurate. By falsifying journal requests and checks, Grimes caused his firm's books and records to be inaccurate. (**FINRA Case #2011028219201**)

Janice Louise Hallett (CRD #4721899, Registered Representative, Cibolo, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $10,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Hallett consented to the described sanctions and to the entry of findings that she offered and sold oil and gas interests to her member firm's customers that were securities offerings issued by the firm's affiliate; and while discussing the offerings, she negligently made inaccurate statements to several investors relating to the returns they could expect from the prospects and the affiliate's track record. The findings stated that Hallett negligently advised some investors considering purchasing interests in an offering that they could expect a return of their principal investment in one to three years. Given the speculative nature of the oil and gas investments, such results could not be expected. The findings also stated that while selling interests in an oil and gas prospect, Hallett negligently advised a customer that the firm's affiliate had drilled "24 straight successful wells" in a particular area. In fact, the affiliate had drilled at least one dry hole in the area and drilled other wells in the area that yielded very limited gas or oil production.

The suspension was in effect from January 7, 2013, through February 4, 2013. (**FINRA Case #2009020022402**)

Stephen Chrismore Hamblin (CRD #4268957, Registered Representative, Geneva, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for five months. Without admitting or denying the findings, Hamblin consented to the described sanctions and to the entry of findings that while working as a banking associate at a bank that was affiliated with his member firm, Hamblin received a watch valued at approximately $2,000 as a gift from a bank client, which violated the bank's policies. The findings stated that after Hamblin's firm acquired another member firm and while registered with the acquired firm, Hamblin was interviewed by federal investigators in connection with a criminal investigation of three bank clients. During the interview, Hamblin stated that one of the bank's clients being investigated bought a watch for him, and claimed that he subsequently reimbursed the client for the watch. In fact, Hamblin had not reimbursed the bank client. The findings also stated that thereafter, Hamblin sent an email to the bank investigator and a manager of the acquired firm, in which he repeated his false claim that he purchased the watch and attached a receipt for a bond that he claimed evidenced that he purchased the watch. The receipt for the bond disclosed that one of the bank clients purchased the bond during the same time Hamblin had received the watch. The findings also included that later, Hamblin met with counsel the firm hired in connection with its ongoing investigation. Hamblin again denied that the watch was a gift, and claimed that he paid $2,000 to a friend—but not one of the bank clients—who had purchased the watch online. Each of Hamblin's statements that he purchased the watch was false.

The suspension is in effect from January 22, 2013, through June 21, 2013. (**FINRA Case #2010025192701**)

Kyle Patrick Harrington (CRD #2282328, Registered Principal, La Jolla, California) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 30 days. In light of Harrington's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Harrington consented to the described sanction and to the entry of findings that he failed to timely disclose a personal bankruptcy petition on his Forms U4.

The suspension is in effect from January 22, 2013, through February 20, 2013. (**FINRA Case #2011030176901**)

James Martin Higgs (CRD #1143128, Registered Representative, Parkersburg, West Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for seven months. The fine must be paid either immediately upon Higgs' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Higgs consented to the described sanctions and to the entry of findings that after his member firm placed him on probation for selling EIAs to customers outside of its sponsored programs for such sales, Higgs sold EIAs to individuals outside the scope of his employment with the firm and without providing it with prompt or prior written notice of the business activity. The findings stated that some of the individuals who purchased EIAs were the firm's customers. Higgs' undisclosed EIA sales totaled about $674,804.61 and he received approximately $22,838.50 as compensation for the transactions.

The suspension is in effect from January 7, 2013, through August 6, 2013. (**FINRA Case #2011029316801**)

Nancy Bolt Hill (CRD #4653852, Registered Principal, Summerland, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $10,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Hill's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hill consented to the described sanctions and to the entry of findings that she established and held beneficial interests or decision-making authority for brokerage accounts maintained at FINRA member firms, and failed to disclose the outside brokerage accounts in writing to the member firms with which she was associated and also failed to notify the executing member firms in writing of her association with FINRA member firms. The findings stated that Hill concealed the outside accounts from one of her member firms by making misstatements on annual certification forms and disclosure of personal accounts forms that the firm required employees to complete annually. The forms required her to disclose all personal securities accounts held at other broker-dealers, but she falsely represented she did not have any outside personal securities accounts so the firm did not review her accounts and trading activity.

The suspension is in effect from January 7, 2013, through January 6, 2014. (**FINRA Case #2012031333401**)

Edward Daniel Hochard (CRD #1830418, Registered Principal, Palm Bay, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Hochard's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hochard consented to the described sanctions and to the entry of findings that he personally purchased 1,000 shares of a private company's common stock for the total amount of $10,000, directly from the company in a private offering, when he did not provide prior written notice to his member firm of his intent to participate in the purchase of the company's common stock in a private transaction, nor did he receive the firm's approval to purchase the common stock. The findings stated that Hochard opened and maintained a Roth independent retirement account (IRA) with another FINRA member firm without providing notice to the FINRA member firm that he was employed by another FINRA member firm. Hochard further failed to disclose to his firm that he had opened a securities account with another FINRA member firm. When Hochard completed the new account form to open the account he falsely answered "no" to the question regarding NASD affiliation. The findings also stated that on separate occasions, Hochard completed annual attestations and representations reports and, on each occasion, he submitted the report to his firm in which he made false and inaccurate representations for the question concerning the opening of an outside brokerage account for which the firm had not been notified.

The suspension is in effect from January 7, 2013, through July 6, 2013. (**FINRA Case #2011025963101**)

Jeffrey Scott Hollingsworth (CRD #1496508, Registered Representative, Bonney Lake, Washington) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for one year. In light of Hollingsworth's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Hollingsworth consented to the described sanctions and to the entry of findings that he conducted an insurance and securities business through a sole proprietorship and engaged in private securities transactions without providing prior written notice to, or obtaining written approval from, his member firms. Hollingsworth sold ownership interests in his business to investors totaling $450,000 but failed to provide them with any written evidence of their investment or stock certificates after he incorporated his business or any other written evidence of their ownership interests.

The suspension is in effect from December 17, 2012, through December 16, 2013. (**FINRA Case #2011026745201**)

Erika M. Holmes nka Erika M. McAuliffe (CRD #4923057, Registered Representative, Boston, Massachusetts) submitted an Offer of Settlement in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Holmes' reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Holmes consented to the described sanctions and to the entry of findings that she transposed a customer's signature from an existing document and affixed it to the customer's new IRA deposit account application without the customer's authorization or consent, and submitted that document to her member firm for processing.

The suspension was in effect from December 17, 2012, through January 16, 2013. (**FINRA Case #2011027274701**)

Jon Patrick Horvath (CRD #3019022, Registered Representative, West Union, Ohio) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Horvath, in the course of conducting his securities business, fraudulently altered a $1,000 check made payable to his member firm and misappropriated the funds by converting them for his own use. The findings stated that Horvath operated his own securities and insurance businesses. Horvath conducted an investment seminar and invited a wholesaler working for a mutual fund distribution company to co-sponsor the seminar. The wholesaler gave Horvath a personal check for $1,000 made payable to Horvath's firm to pay for the wholesaler's co-sponsorship. Horvath did not turn the check over to his firm. Horvath altered the check to make it payable to his company and then deposited the check into his business checking account. The findings also stated that the wholesaler obtained a copy of the cancelled check to request reimbursement from the mutual fund distributor, noticed the alterations on the check, and provided a copy of the altered check and his original check to the his company's compliance officer, who forwarded them to Horvath's firm. The firm terminated Horvath's employment for altering the check and violating the firm's policies and procedures governing reimbursements. The findings also included that Horvath failed to disclose tax liens in a timely manner on his Form U4. FINRA found that Horvath failed to appear to provide testimony as FINRA requested. (**FINRA Case #2011027352701**)

Yin Hu (CRD #2846347, Registered Principal, Great Neck, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000, suspended from association with any FINRA member in any principal capacity for six months, and ordered to requalify by examination as a general securities principal prior to reassociation with any member firm in that capacity. The fine must be paid either immediately upon Hu's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hu consented to the described sanctions and to the entry of findings that he managed the day-to-day operations of a firm from the firm's

inception. The findings stated that the firm offered master and subaccount arrangements, which provided direct access to the United States financial markets to foreign traders based in China. Hu was the firm's president, CCO and AMLCO. As a result of Hu's actions and failure to take action, the firm failed to establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious activity, or otherwise reasonably designed to achieve compliance with the BSA and the securities regulations implemented thereunder. Hu's failure to carry out his responsibilities also resulted in the firm's failure to perform adequate annual independent testing of its AML program and to provide required AML training for appropriate personnel. The findings also stated that Hu failed to take reasonable action to ensure that the firm supervised, established, and maintained a system and procedures reasonably designed to supervise the firm's master and subaccount business. Hu did not evidence his principal review of transactions in writing on records the firm created or maintained.

The suspension is in effect from December 17, 2012, through June 16, 2013. (**FINRA Case #2009020962401**)

Robert Louis Iola Jr. (CRD #2103831, Registered Representative, Tewksbury, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Iola consented to the described sanctions and to the entry of findings that he caused inaccurate individualized portfolio valuation summaries to be prepared and distributed to his customers. The findings stated that after unsuccessful efforts to use his member firm's systems to create a single document listing the value and performance of each of his customers' accounts, Iola and his staff manually created such aggregate portfolio value and performance summaries for specific clients, which he caused to be prepared and distributed to firm customers. Iola directed his staff to produce the summaries, utilizing simple mathematical formulas in a spreadsheet to produce beginning and ending values, net additions/withdrawals and a simple, rather than time-weighted, rate of return. The summaries provided this data broken out for each account the customer held along with total values for their entire portfolio. The findings also stated that Iola provided the summaries to each customer either at an in-person account review meeting or through the mail with follow-up telephone conferences. Each of the customers received at least four of the summaries per year and continued to receive firm account statements. Although Iola checked the summaries for internal consistency, he did not cross-reference the figures presented on them with the figures in the account statements. Instead, he relied entirely on his staff to input the figures accurately. The findings also included that with the exception of the initial spreadsheets, Iola did not review the spreadsheets containing the formulas used to calculate the figures in the summaries. Mistakes were made in gathering information and inputting it into the summaries, which made them inaccurate and therefore misleading, including incorrect beginning and/or ending values, withdrawal figures and rates of return. FINRA found that Iola failed to provide any footnotes or disclaimers on the documents necessary to

understand the data presented. Because none of the summaries Iola provided to his customers included an explanation or basis of calculation for each of the return figures provided, the investors were left without a sound basis for evaluating specified return figures.

The suspension was in effect from January 22, 2013, through February 4, 2013. (**FINRA Case #2010024279801**)

Kevin Joseph Jahner (CRD #3187721, Registered Principal, Bakersfield, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Jahner failed to respond to FINRA requests for documents and information pertaining to an outside business activity, the use of investor funds received in connection with the activity, and financial information. The findings stated that on a Uniform Termination Notice for Securities Industry Registration (Form U5) filed by Jahner's former member firm, the firm reported that it permitted Jahner to resign while the firm was performing a review of an outside business activity involving the purchase of real estate. The findings also stated that FINRA sent preliminary inquiries to Jahner seeking information. After Jahner responded to the inquiries and with further review of the matter, FINRA determined that it required substantial additional information because the evidence suggested possible misconduct involving investor funds. (**FINRA Case #2011028824001**)

Lisa Ann Herman Krucoff (CRD #2363379, Registered Representative, Bethesda, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Krucoff's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Krucoff consented to the described sanctions and to the entry of findings that at a customer's request, she provided false and misleading information to the customer's creditors regarding purported wire transfers from the customer's brokerage account. The findings stated that the customer had not actually made those wire transfers.

The suspension is in effect from January 7, 2013, through July 6, 2013. (**FINRA Case #2011029057301**)

Susan B. Lauletta (CRD #2655117, Registered Principal, Amityville, New York), Joseph William Tucciarone (CRD #1060717, Registered Representative, Plainview, New York) and Anita Bryant (CRD #1688535, Associated Person, Plainview, New York) submitted an Offer of Settlement in which they were each barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Lauletta, Tucciarone and Bryant consented to the described sanction and to the entry of findings that Tucciarone and Bryant were partners in a general insurance agency and its home office was an OSJ for a member firm and the retail broker-dealer of an insurance company. The findings stated that Tucciarone, while serving as a general agent for the insurance agency engaged in

private securities transactions without his member firm's prior approval and concealed the commissions he received for these transactions from the firm by arranging for commissions to be paid to Bryant, his wife. The findings also stated that Tucciarone instructed a subordinate to provide the firm with misleading information and to destroy any related documents. The findings also included that Tucciarone provided false and misleading information to his firm regarding his involvement in the investment company and provided false testimony to FINRA during on-the-record testimony.

FINRA found that Bryant falsely testified during a FINRA on-the-record interview that she was unaware of any plans for investment company commissions to be paid to wives of anyone associated with the insurance agency when in fact checks were made payable to her. Bryant also falsely testified that a $750 check made payable to her from an account was for her assistance in finding office space and recruiting when it was to compensate Tucciarone for his involvement in an individual's investment. FINRA also found that Lauletta, the branch agency compliance officer, failed to report, investigate, or take other action when she learned Tucciarone had engaged in selling away and was involved in the related commission-hiding scheme. Lauletta failed to report or investigate upon hearing Tucciarone instruct a registered representative to mislead the firm about his selling-away activities. When responding to a firm questionnaire about the selling away, Lauletta omitted material information of which she was aware and that it involved Tucciarone. In addition, FINRA determined that Lauletta provided false testimony to FINRA regarding Tucciarone and the investment company. (**FINRA Case #2009016911207**)

Randolph Ng Leong (CRD #5825080, Registered Representative, Troy, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Leong consented to the described sanction and to the entry of findings that he used a customer's checkbook to write himself a check for $900. Leong forged the customer's signature on the check, deposited the check into his account and used the money to pay part of the amount due on his monthly mortgage loan, without the customer's authorization to write the check or forge her signature. The findings stated that Leong also signed customers' names to life insurance applications without their consent. The findings also stated that Leong allowed an applicant for insurance to forge the signature of the applicant's mother on the back of the insurance application. (**FINRA Case #2011029814101**)

Jason Scott Love (CRD #5296126, Registered Representative, Memphis, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Love consented to the described sanction and to the entry of findings that he fraudulently induced a customer to write checks for the purported purpose of purchasing municipal bonds through his member firm. The findings stated that rather than using the checks to purchase bonds for the customer's account, Love converted the funds for his personal use. The customer wrote checks totaling $39,887.51 as a result of Love's

representations that he would use the funds to purchase municipal bonds for the customer's account at the firm; these representations were false. Instead, Love intended to convert the funds for his own personal use. The findings also stated that in furtherance of his fraudulent scheme, Love sent emails to the customer that directed him to make the checks payable to the initials of Love's firm, rather than to spell out the full name. Love did this so he could alter the checks' payee lines from those initials to Jason Love. Love's email communications also directed the customer to send the checks to an address that was not that of Love's firm. The findings also included that to avoid the firm's detection, Love used a personal email account to communicate with the customer. Love did not purchase securities for the customer. Instead, Love endorsed each check and either cashed or deposited it into his bank account so he could make personal use of the funds. FINRA found that by virtue of this conduct, Love willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. (**FINRA Case #2012033036601**)

Duane Scott McAdoo (CRD #2696519, Registered Representative, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, McAdoo consented to the described sanction and to the entry of findings that he effected unauthorized purchase and sale call options transactions in the member firm account of a customer. The findings stated that McAdoo willfully failed to timely disclose material information, related to two separate theft charges, on his Form U4. (**FINRA Case #2012032435901**)

Jon David McKnight (CRD #2191107, Registered Principal, Dyersburg, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, McKnight consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 to disclose an unsatisfied federal tax lien.

The suspension is in effect from January 22, 2013, through February 19, 2013. (**FINRA Case #2012034149901**)

Neftali Mercedes (CRD #3201827, Registered Principal, New York, New York) was barred from association with any FINRA member in any capacity and ordered to pay a total of $97,500, plus interest, in restitution to customers. The sanctions were based on findings that Mercedes willfully made material misrepresentations and omissions in the sale of securities. The findings stated that Mercedes' misleading statements and omissions concerned the risks associated with an investment in speculative securities and the financial condition of the issuer. Mercedes did not have any basis for making the statements to his customer and did not attempt to verify the information about the issuer that he conveyed to his customers. Mercedes failed to disclose the issuer's negative financial condition and performance, which were facts material to the purchasers'

investment decisions. Mercedes' conduct, which occurred over several months, enabled him to profit financially while his customers lost their investments and Mercedes did not make any attempt to pay restitution to the affected customers or otherwise remedy his misconduct. (**FINRA Case #2008011743303**)

Richard Ralph Montanaro (CRD #5501638, Registered Principal, Calhoun, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Montanaro consented to the described sanction and to the entry of findings that as his member firm's chief executive officer (CEO), he participated, along with the company's legal counsel, in the drafting of the private placement memorandum (PPM) for the company that his firm signed a consulting agreement with, and provided it to customers of his firm who invested in the company's private placement, and also gave an additional memorandum to some investors. The findings stated that these offering materials contained misleading information and omitted material facts. The PPM failed to disclose the existence of lawsuits against a director of the company and the current financial status of the company. The PPM also failed to disclose that Montanaro and a firm principal were officers of the firm, which would receive fees from the sale of the offering. Additionally, the supplement contained misleading financial projections for the company for a particular year, of which actual financials Montanaro was aware as the CEO of the company, but were not provided in the supplement. The findings also stated that Montanaro participated in a convertible debt offering of the company for $2 million (later reduced to $1 million). A new offering memorandum was not created, but existing investors were given a newsletter and subscription agreement that Montanaro participated in drafting along with the company's legal counsel. Montanaro provided various customers with the newsletter that contained misleading information and omitted material facts. The newsletter did not include current financials for the company and referred to the offering as a bridge loan. FINRA found that Montanaro failed to supervise his firm's retention and review of email when, for a period, the firm failed to retain or review all of the emails sent from its email accounts. The firm failed to retain or review securities-related emails members of the firm sent using the offering company-maintained email accounts. A principal was responsible for email review and retention, and Montanaro was responsible for supervising the principal in the performance of his supervisory responsibilities. (**FINRA Case #2011025653802**)

Mack Ellis Montgomery Jr. (CRD #4971328, Registered Representative, Bossier City, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Montgomery consented to the described sanction and to the entry of findings that while employed with his member firm's bank affiliate, Montgomery misappropriated funds belonging to a bank customer when he processed a $1,700 withdrawal transaction from the customer's savings account without the customer's knowledge or authorization.

The findings stated that Montgomery used the funds for his personal use. Bank personnel interviewed and obtained a written statement from Montgomery in which he admitted making the unauthorized withdrawal. Montgomery repaid the $1,700 to the bank. (**FINRA Case #2012033117801**)

Paul Anthony Mozicato (CRD #4134819, Registered Representative, Hartford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mozicato consented to the described sanction and to the entry of findings that he misappropriated his customer's funds when he instructed his customer to give him a cashier's check, made payable to Mozicato, in the amount of $15,000 for the purpose of opening an account at his member firm and investing in a REIT. The findings stated that Mozicato did not open the account at, or remit the check to, his firm and did not use the check to invest in the REIT. Instead, Mozicato used the proceeds of the check for personal reasons, specifically to pay off personal credit card debt. (**FINRA Case #2012032195301**)

Hugh Vincent Murray III (CRD #826261, Registered Principal, St. Louis, Missouri) was suspended from association with any FINRA member in any supervisory capacity for 90 days, and ordered to requalify by examination as a principal before serving in any supervisory capacity. Murray filed a Notice of Appeal to the National Adjudicatory Council (NAC) regarding the Hearing Panel decision as pertaining only to the hearing costs of $3,600 and administrative fees of $750. Murray is not appealing the other sanctions of the decision that are in effect. The sanctions were based on findings that Murray failed to supervise registered representatives of his member firm with respect to promptly and accurately filing amendments to their Forms U4 to disclose their convictions and keeping their Forms U4 current.

The suspension is in effect from December 17, 2012, through March 16, 2013. (**FINRA Case #2008016437801**)

Charles Chul Nam (CRD #2565046, Registered Principal, Tarzana, California) was barred from association with any FINRA member in any capacity and required to pay $352,750 in restitution to investors. The sanctions were based on findings that Nam made fraudulent misrepresentations and omissions of material fact in connection with the offer or sale of securities of a REIT, and used telephone lines and the Internet to perpetuate his fraud. The findings stated that Nam falsely represented that he was affiliated with and accepting investor funds on behalf of the REIT. Through his wrongful conduct of material misrepresentations and omissions of facts, Nam fraudulently obtained $792,750 from the investors, $352,750 of which he has not repaid. The findings that Nam acted with scienter supports a finding that his violations were willful. The findings also stated that Nam wrongfully converted investors' funds and used the funds for his own purposes. The findings also included that Nam failed to respond to FINRA requests for information and to appear for testimony. (**FINRA Case #2011026514001**)

Alberto Neira (CRD #2658649, Registered Principal, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Neira consented to the described sanction and to the entry of findings that he failed to fully disclose outside business activities to his member firm. The findings stated that Neira disclosed to the firm that he was a passive investor in an entity but failed to disclose that he was also a director of the entity, holding positions over time or that he received compensation from the entity. Neira owned 55 percent of the entity's common stock, and for his services he received a salary (of approximately $5,000 beginning in one year) and other compensation. The entity paid Neira $180,000 in compensation one year and more than $250,000 the following year. The findings also stated that Neira sold securities away from his firm when he made recommendations that resulted in more than $2 million in investments in the outside entity to some firm customers. These investments included stock and promissory notes. The sales were conducted privately and not through Neira's firm. Neira failed to disclose these securities transactions to his firm. Neira also recommended preferred stock in the entity, which two customers purchased. The findings also included that Neira failed to respond fully and in a timely manner to FINRA requests for information. (**FINRA Case #2011026089402**)

James Michael O'Brien aka Jay O'Brien (CRD #2534087, Registered Principal, Encinitas, California) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 18 months. In light of O'Brien's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, O'Brien consented to the described sanction and to the entry of findings that he participated in private securities transactions outside the regular course and scope of his employment with his member firm, and never provided notice to, nor did he receive approval from, the firm for these transactions. The findings stated that O'Brien referred investors to an entity that sold them securities in the form of promissory notes. The total dollar amount of the investments was $2,654,596. For these referrals, O'Brien received selling compensation totaling $125,416.

The suspension is in effect from January 7, 2013, through July 6, 2014. (**FINRA Case #2011027353201**)

Kelly Quinn Patrick (CRD #5618576, Registered Representative, Clearwater, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 30 days. In light of Patrick's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Patrick consented to the described sanction and to the entry of findings that he engaged in an outside business activity after his member firm denied his request to engage in such activity. The findings stated that Patrick requested approval to work as chief operating officer for his friend's newly-founded business, an online securities information resource, which was also attempting to launch a hedge fund. The firm denied Patrick's

request, noting that the activity would be impossible to supervise and might constitute working for a competitor. The findings also stated that after his request was denied, Patrick engaged in activities related to the outside business. Patrick attended meetings with potential investors on the outside business' behalf. During these meetings, Patrick held himself out as an officer of the outside business. Patrick also provided editing assistance, research and news updates to the outside business.

The suspension was in effect from January 7, 2013, through February 5, 2013. (**FINRA Case #2012031636001**)

Joseph Perlow (CRD #1021559, Registered Representative, Lawrence, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 60 days. Without admitting or denying the findings, Perlow consented to the described sanctions and to the entry of findings that he facilitated private securities transactions totaling $175,000 away from his member firm. The findings stated that the investments were not made through, or known to, his firm. Perlow did not provide written notice to, or obtain approval from, the firm before facilitating these investments.

The suspension is in effect from January 7, 2013, through March 7, 2013. (**FINRA Case #2011027292101**)

Walter Harmon Prescott (CRD #1234587, Registered Principal, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Prescott's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Prescott consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 to disclose a bankruptcy petition and unsatisfied liens. The findings stated that Prescott exercised discretion in customers' accounts without obtaining the customer's written authorization or his firm's acceptance of the accounts as discretionary. During that time period, Prescott's firm prohibited discretionary trading in those types of customer accounts.

The suspension is in effect from December 17, 2012, through February 16, 2013. (**FINRA Case #2010024943101**)

Curtis Ray Purington (CRD #1063438, Registered Representative, Eagan, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Purington's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or

denying the findings, Purington consented to the described sanctions and to the entry of findings that he exercised discretion in customer accounts without written authorization. The findings stated that Purington entered sales orders in accounts belonging to customers without contacting the customers to obtain approval at the time the trades were entered. Although the customers had previously verbally authorized Purington to enter the trades as part of a stop-loss trading strategy, he did not have their written authorization to exercise such discretion as required. Purington used the stop-loss trading strategy only in fee-based accounts and, therefore, did not receive commissions for trades done in connection with the strategy.

The suspension was in effect from December 17, 2012, through December 31, 2012. (**FINRA Case #2010023976501**)

Christopher Thomas Reid (CRD #4280132, Registered Representative, Shelby Township, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Reid consented to the described sanctions and to the entry of findings that he used discretion to buy and sell inverse floater collateralized mortgage obligations on behalf of his customers, without their prior written authorization to exercise discretion and his member firm's prior written acceptance of their accounts as discretionary. The findings stated that although Reid's firm permitted discretionary trading, he was required by his firm's WSPs to obtain prior written approval from the firm's Executive Committee before engaging in any discretionary trading activities.

The suspension is in effect from February 4, 2013, through February 25, 2013. (**FINRA Case #2011025852102**)

Daryl Winfield Riley (CRD #1190212, Registered Principal, La Habra, California) submitted an Offer of Settlement in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the allegations, Riley consented to the described sanctions and to the entry of findings that he exercised discretion for solicited purchases in customer accounts without the customers' written authorization and his member firm's acceptance of the accounts as discretionary. The firm's written policies and procedures generally prohibited discretionary accounts and only allowed registered representatives to exercise discretion in certain types of customer accounts with firm approval.

The suspension was in effect from January 7, 2013, through February 6, 2013. (**FINRA Case #2009018214701**)

David Kevin Roddey (CRD #2527650, Registered Representative, Nashville, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The

fine must be paid either immediately upon Roddey's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Roddey consented to the described sanctions and to the entry of findings that a member firm that marketed financial products to financial advisers authorized its wholesalers to give financial advisors vouchers from a continuing education (CE) provider which the financial advisors could use to take CE examinations through the provider without charge. The findings stated that financial advisors could log on to the provider's website using the code on the voucher and take CE courses and examinations, either online or by submitting a paper test to the provider. The provider had courses that satisfied the long-term care (LTC) CE requirement for Florida. To get the CE credit for this course, a test-taker had to successfully complete an examination. The findings also stated that certain wholesalers from the firm created answer keys for the provider's LTC CE examinations for the various states, including Florida. The wholesalers distributed the answer keys throughout a part of the firm and to registered representatives outside the firm. A firm wholesaler sent Roddey an answer key for the provider's LTC CE examination for Florida. Roddey improperly used the answer key to complete the provider's Florida LTC CE examination. The findings also included that certain states began requiring financial advisors to successfully complete a LTC CE course before selling long-term care insurance products to retail customers.

The suspension was in effect from January 7, 2013, through February 6, 2013. (**FINRA Case #2012033674001**)

Sean Placido Rodriguez (CRD #2001875, Registered Supervisor, Glendale, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000, suspended from association with any FINRA member in any capacity for 60 days, and ordered to disgorge ill-gotten gains in partial restitution in the total amount of $5,000, plus interest, to a customer. Without admitting or denying the findings, Rodriguez consented to the described sanctions and to the entry of findings that he executed discretion in a customer's account without the customer's written authorization or his member firm's written acceptance of the account as discretionary. The findings stated that Rodriguez recommended and executed equity purchases and sales with a short-term holding period and recommended to the customer the purchase and sale of equity securities in amounts that resulted in undue concentration of these securities in her account, ranging between 25 percent and 50 percent of her account value at the time of the transactions. In light of the customer's financial situation and needs, Rodriguez did not have a reasonable basis to recommend that she engage in short-term trading and concentrate her account in the equity securities.

The suspension is in effect from January 22, 2013, through March 22, 2013. (**FINRA Case #2010023804801**)

James Michael Roman aka James Robert Romansky Jr. (CRD #4846101, Registered Representative, Little Elm, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Roman failed to respond to FINRA requests for information and documents. The findings stated that Roman engaged in an outside business activity and failed to provide prior written notice to his member firm of that activity. (**FINRA Case #2011026029401**)

Michael Lee Romero (CRD #4411973, Registered Representative, Windsor, Colorado) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 45 days. Without admitting or denying the findings, Romero consented to the described sanctions and to the entry of findings that he recommended that customers purchase $760,000 of non-publicly traded Regulation D offerings and REITs. The findings stated that according to a new account application that the customers signed, they had a moderate risk tolerance and investment objectives of long-term growth and capital preservation and income. The investments in the Regulation D offerings and REITs constituted almost all of the customers' liquid net worth and roughly 46 percent of their total net worth. The findings also stated that Romero's recommendations to purchase these Regulation D offerings and REITs were inconsistent with the customers' financial situation and needs.

The suspension is in effect from January 7, 2013, through February 20, 2013. (**FINRA Case #2010021431201**)

Robert Paul Ruggerio Jr. (CRD #2437643, Registered Representative, Wilmington, Delaware) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $2,500 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Ruggerio's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Ruggerio consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 to disclose unsatisfied judgments.

The suspension is in effect from January 7, 2013, through February 19, 2013. (**FINRA Case #2012031657701**)

Allison Dale Salke (CRD #1995738, Registered Principal, Jamaica Plain, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $15,000 and suspended from association with any FINRA member in any principal capacity for one year. The fine must be paid either immediately upon Salke's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Salke consented to the described sanctions and to the entry of findings that she permitted two individuals who were not registered principals to engage in the management of the firm's securities business. The individuals provided the firm's

majority financial support, participated in partnership and operational decisions, directed opening of new accounts, and had control over the structure of the firm and employees' salaries, without Salke registering them as principals. The findings stated that one of the individuals was prohibited from registration without FINRA approval, since he was statutorily disqualified pursuant to a judgment by consent entered by the SEC permanently enjoining him from violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder. Salke knew about the statutory disqualification. The findings also stated that over the course of five months, the individuals engaged in sales of penny stocks that had indicia of being designed to evade the registration requirements of Section 5 of the Securities Act of 1933 by technical compliance with Rule 144's requirements. Liquidation of more than 900 million shares, generating proceeds of $7,956,191, indicated that they had engaged in distributions of microcap and sub-penny stock into the market as underwriters and that no valid exemption from registration applied. Salke had facts before her indicating that the individuals were statutory underwriters and that they sold close to one billion shares in over 30 issuers' stock without an exemption from registration. The findings also included that Salke ignored red flags discernible from the transactions and conduct by the individuals. These warning signs put Salke on notice that the individuals had engaged in distributions of unregistered stock as underwriters. Salke thus facilitated the re-sales through their accounts at the firm.

FINRA found that the firm had written due diligence policies and surveillance procedures for trading in micro-cap securities. Salke's use of the suggestions in FINRA Regulatory Notice 09-05 did not adequately fulfill the supervision requirements, especially where, as here, the cumulative facts and trading activity indicated inapplicability of the exemptions to Section 5. Many red flags triggered indicia that the individuals were engaged in re-sales of unregistered stock through their accounts at the firm, but Salke ignored the warning signs that their sales required registration under Section 5. Thus, Salke's supervision of the trading activity was not reasonable. FINRA also found that the firm did not have AML procedures sufficiently tailored to the firm's business, such that they could be reasonably expected to detect and monitor for suspicious activity. Although the firm had a written AML program providing for the detection and reporting of suspicious activities, they did not set forth specific criteria for monitoring to detect suspicious activities related to the firm's micro-cap and sub-penny securities liquidation business, the sole business of the firm. Although the firm generated an internal operations report of transactions involving sales of low-priced securities where the proceeds of the sales were immediately transferred out of the account, Salke and the firm's AMLCO reviewed the report only to determine whether the activity was consistent with the individuals' business models of liquidating stock, without making sufficient additional inquiry. Salke's limited review of these red flags, coupled with her lack of further investigation, resulted in the firm's failure to have a program reasonably designed to monitor and report suspicious activity.

The suspension is in effect from December 17, 2012, through December 16, 2013. (**FINRA Case #2011029203702**)

Scott Frederick Schulte (CRD #1044642, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid either immediately upon Schulte's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Schulte consented to the described sanctions and to the entry of findings that he recommended private securities transactions to a customer without his member firm's knowledge or approval. The customer invested a total of $75,000 in companies Schulte recommended.

The suspension was in effect from December 17, 2012, through January 30, 2013. (**FINRA Case #2011029032001**)

Richard Alan Seligson (CRD #3169733, Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000, suspended from association with any FINRA member in any capacity for one year and ordered to pay $41,100, plus interest, in restitution to customers. The fine and restitution must be paid either immediately upon Seligson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Seligson consented to the described sanctions and to the entry of findings that he borrowed $45,000 from close friends and relatives, all of whom were his firm's customers. The findings stated that Seligson has repaid only $3,900 of the amount owed. Seligson did not seek to obtain his firm's written approval to obtain loans from any of the customers. Seligson completed compliance questionnaires in which he was asked if he had entered into loans with customers. On each questionnaire, Seligson falsely answered that he had not taken such loans. The findings also stated that the firm's WSPs generally prohibited representatives from taking loans from their customers, except under extremely rare and extenuating circumstances. Under the firm's procedures, these circumstances could include borrowing or lending arrangements with clients who were family members. The firm's WSPs explicitly stated that requests to enter into borrowing or lending arrangements with family members had to be submitted for review and approval before engaging in lending activity.

The suspension is in effect from December 17, 2012, through December 16, 2013. (**FINRA Case #2011029460101**)

Bara Yaye Caro Sene (CRD #5576162, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Sene's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief

from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sene consented to the described sanctions and to the entry of findings that he effected trades in an account belonging to a customer of his member firm without the customer's authorization, knowledge or consent. The findings stated that immediately before Sene placed the first unauthorized trade in the account, the customer's sole equity position was 2,690 shares of one company. Without the authorization, knowledge or consent of the customer, Sene engaged in short-term purchase and sale transactions involving shares of companies. As a result of the unauthorized trades, the customer was charged $3,265 in commissions and his position in the one company was reduced to 1,600 shares.

The suspension is in effect from January 7, 2013, through July 6, 2014. (**FINRA Case #2011029411901**)

Stephen J. Seserko Jr. (CRD #6050444, Associated Person, Monroeville, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Seserko's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Seserko consented to the described sanctions and to the entry of findings that he willfully failed to disclose on his Form U4 that he had previously been charged with a felony and had been charged with, and pled guilty to, misdemeanors involving wrongful taking of property.

The suspension is in effect from January 7, 2013, through January 6, 2014. (**FINRA Case #2012032403901**)

Shlomo Sharbat aka Solomon Sharbat (CRD #2399408, Registered Representative, Forest Hills, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Sharbat failed to provide on-the-record testimony in response to FINRA requests. (**FINRA Case #2009016160001**)

Scott Earl Shumate (CRD #1304562, Registered Representative, Hendersonville, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Shumate consented to the described sanction and to the entry of findings that he used his personal email account on numerous occasions to send and receive business-related emails to and from customers and others. Shumate was told orally by his member firm's compliance officer to cease using his personal email for business purposes and was later issued a formal written warning to cease the conduct, which he signed, but continued the practice despite these instructions. The firm's procedures prohibited representatives from conducting firm business on personal email accounts at third-party providers. Shumate's use of his personal email account prevented his firm from monitoring, reviewing

and retaining these business communications as required. The findings stated that in two of these emails, Shumate made statements or claims that were unwarranted, exaggerated and misleading regarding the firm's capacities and his own services. The findings also stated that a customer complained to Shumate that his bank account had been improperly debited for $500 in connection with a firm insurance product. Shumate did not report the complaint to his firm but offered the customer $500 in cash, thereby attempting to settle a customer's complaint away from the firm without notifying the firm. The findings also included that Shumate failed to respond to FINRA requests for documents and to appear for on-the-record testimony. (**FINRA Case #2011026101501**)

Amy Louise Siesennop (CRD #2735819, Registered Principal, Oconomowac, Wisconsin) was fined a total of $11,000, suspended from association with any FINRA member in any principal capacity for 16 months and ordered to requalify as a principal before acting again in that capacity. The fines shall be due and payable upon Siesennop's return to the securities industry. The sanctions were based on findings that Siesennop improperly guaranteed a customer against loss and crafted a settlement agreement with the customer that contained an impermissible condition that the customer agree not to complain to FINRA if her member firm made his account whole. The findings stated that Siesennop timely filed a Disclosure Events and Complaint form to report the complaint but incorrectly checked the box indicating that the complaint was against the firm, not an individual representative. The findings also stated that Siesennop post-dated her signature on a compliance review form and admitted that she did not disclose to the FINRA auditors that she had made additions to the form when she readied it for their review, thereby providing a false and misleading document to FINRA auditors. The findings also included that Siesennop maintained the inaccurate form in her member firm's records, causing the firm's records to be inaccurate. FINRA found that Siesennop produced the inaccurate and misleading form in response to a post-Complaint Rule 8210 request for information and documents, without any explanation of how and why she had previously altered the form.

The suspension is in effect from December 17, 2012, through April 16, 2014. (**FINRA Case #2010025132201**)

Charles Sims Jr. (CRD #708070, Registered Representative, Cordova, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000, suspended from association with any FINRA member in any capacity for nine months, required to remain current with all required payments to each customer consistent with the terms of their loan agreements and certify in writing to FINRA that he is current on all required payments to each customer and provide proof. The fine must be paid either immediately upon Sims' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sims consented to the described sanctions and to the entry of findings that he borrowed in aggregate approximately $565,000 from his customers who are also his personal friends. The findings stated that Sims used the loan

proceeds to meet personal financial obligations. Sims has fully repaid two of his customers. With regard to the other outstanding loans, Sims has been making either monthly or annual loan payments to the remaining customers. The findings also stated that the firm's written policies prohibited any lending arrangement with customers, unless the customer is the registered representative's immediate family member. This exception did not apply to Sims' customer loans. Sims did not give written notice nor obtain prior written approval from his firm for any of the loans he received from his customers. Sims also falsely stated on annual informational questionnaires for six years that he had not borrowed funds from customers. The findings also included that the firm initiated an inquiry regarding certain payments Sims made to some of his customers. Sims initially provided inaccurate information to the firm regarding his acceptance of loans from some of his customers.

The suspension is in effect from December 17, 2012, through September 16, 2013. (**FINRA Case #2011027829401**)

Roman Jerzy Sledziejowski (CRD #3141438, Registered Principal, Ossining, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sledziejowski consented to the described sanction and to the entry of findings that he failed to fully and completely respond to FINRA requests for information and documents concerning, among other things, certain business ventures and activities in which he was engaged outside the scope of his association with a member firm. The findings stated that Sledziejowski failed to answer substantive questions at a FINRA on-the-record interview and later failed to appear at a FINRA on-the-record interview. The findings also stated that Sledziejowski caused an entity that owned his firm to fail to respond to FINRA requests for information and documents. (**FINRA Case #2011025806703**)

Carlos Daniel Suarez (CRD #5504422, Registered Representative, Kearny, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Suarez consented to the described sanction and to the entry of findings that he impersonated a customer of his member firm's bank affiliate to rent a mailbox. The findings stated that Suarez was first denied a mailbox rental because he could not produce a valid form of identification in the name of the customer. Suarez returned to the mailbox rental store with two forms of identification bearing the customer's name and was able to rent a mailbox in the customer's name. The findings also stated that after renting the mailbox, Suarez placed an order for $50,000 worth of gold coins in the name of the customer for delivery to the rented mailbox. Suarez subsequently mailed a bank check payable to the seller of the gold coins in the amount of $50,000 drawn on the customer's account at the bank for payment of the gold coins. The customer did not have any knowledge of, nor did he authorize, the mailbox rental, the order for gold coins or the $50,000 check drawn on his bank account. As a result of the gold order Suarez placed, he was mailed a package containing gold coins with a value of $49,715.38 to the mailbox he rented using the customer's name. (**FINRA Case #2011027838701**)

Paul Sullivan (CRD #1765791, Registered Representative, New Hyde Park, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sullivan consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests that he provide documents and information and refused to appear for an on-the-record interview concerning allegations that he had effected securities transactions in clients' accounts that were unauthorized. (**FINRA Case #2012032088501**)

David Arthur Tetley (CRD #1511967, Registered Representative, Fairfield, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Tetley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Tetley consented to the described sanctions and to the entry of findings that he sold EIAs to people outside the scope of his employment with his member firm and without providing the firm with prompt written notice of the business activity. The findings stated that Tetley's undisclosed EIA sales totaled about $1,586,760 and he received approximately $119,000 as compensation for the transactions.

The suspension is in effect from January 7, 2013, through May 6, 2013. (**FINRA Case #2011026508701**)

Seth David Timmer (CRD #5246408, Registered Representative, Caledonia, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Timmer's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Timmer consented to the described sanctions and to the entry of findings that he assisted in the transfer of customer accounts to a newly affiliated broker-dealer. As part of that transition, Timmer's member firm required all of its customers to complete and sign new account forms and if necessary, advisory contracts. The findings stated that Timmer placed the initials of some firm customers on advisory contracts evidencing their acceptance of fee schedules. Although the customers signed the investment advisory contracts at issue, they each neglected to add their initials to a paragraph addressing the fee schedules. While the customers had agreed to the fee schedules, none of the customers had authorized or were aware that Timmer signed their initials on the contracts.

The suspension is in effect from December 17, 2012, through March 16, 2013. (**FINRA Case #2011027725701**)

Attila Gyula Toth (CRD #2565633, Registered Representative, Phoenix, Arizona) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Toth solicited a customer for an investment in a short-term loan to a construction company, representing that he and the company's owner were personal friends and that the terms of the loan included the repayment of principal with a high interest rate. The customer took a $70,000 premature distribution from his 403(b) retirement account, netting $52,500 after withholding taxes, to invest. The findings stated that Toth did not invest the customer's funds as authorized but used the funds to cover personal expenses. The customer never authorized Toth to use the funds and at all times believed the funds were invested in the construction company. Toth never repaid any of the funds and failed to advise the customer that his money was not invested as directed. The findings also stated that Toth borrowed $30,000 from a customer without his member firm's knowledge or approval. Toth documented the loan with a promissory note and secured it with a deed of trust. Toth's firm had a policy prohibiting borrowing from a customer under any circumstances and never pre-approved Toth's loan. Toth acknowledged and certified that he knew and complied with his firm's policies and procedures, including the prohibition to borrow or loan money to any customer. The findings also included that Toth falsely represented in writing to his firm that he never took, borrowed or asked for funds from a client, when in fact he had. FINRA found that Toth also advised the Arizona Corporation Commission through a written statement and sworn testimony that no client provided him with a loan and specifically denied the existence of the loan and promissory note. Toth knew at the time he made such statement that they were false given the date of the promissory note and deed of trust. FINRA also found that Toth failed to respond to FINRA requests for information and documentation. (**FINRA Case #2009019362801**)

Stephen Joel Wilshinsky (CRD #859686, Registered Representative, Woodland Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for eight months. The fine must be paid either immediately upon Wilshinsky's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Wilshinsky consented to the described sanctions and to the entry of findings that he received firm approval only to introduce a privately held entity to an unaffiliated lender to obtain financing but did not request nor receive approval to assist the entity in obtaining financing from any resource other than the lender or to participate in any private securities transactions related to the entity. Despite the limited approval, Wilshinsky introduced and referred firm customers and non-customers to the entity to participate in private placement offerings, without the firm's knowledge or approval. The investors purchased more than $500,000 in the entity's shares. The findings stated that Wilshinsky also sold unrestricted shares of its stock he owned to firm colleagues without the firm's knowledge or approval. The findings also stated that Wilshinsky

accepted trading instructions from a third-party for customer accounts without written authorization from the customers and approval from his other member firm to exercise discretionary authority in the customers' accounts.

The suspension is in effect from December 17, 2012, through August 16, 2013. (**FINRA Case #2009018397001**)

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Delaney Equity Group, LLC (CRD #142285, Palm Beach Gardens, Florida) and David Cameron Delaney (CRD #2447186, Registered Principal, West Palm Beach, Florida) were named respondents in a FINRA complaint alleging that the firm, acting through Delaney, its president/CCO/AMLCO, failed to conduct adequate due diligence to determine whether they were participating in a scheme to evade the registration requirements of Section 5 of the Securities Act of 1933 by selling shares of low-priced equity securities that were unregistered and non-exempt. A firm customer had obtained almost $2.4 million through the sale of these securities, which ceased only when the firm's clearing firm restricted the customer's accounts. The complaint alleges that the firm, acting through Delaney, relied on opinion letters by one counsel representing all of the issuers, who was later found to have issued inaccurate correspondence to the OTC markets and failed to note the contradiction in the customer's actions and representations. The firm, acting through Delaney, sold almost a billion shares of common stock on the customer's behalf that were not registered with the SEC, and no exemption from registration applied to such sales. The complaint also alleges that the firm, acting through Delaney, failed to establish, maintain and enforce adequate policies and procedures, including WSPs, reasonably designed to ensure compliance with Section 5 of the Securities Act to prevent the sale of unregistered securities not exempt from registration. The firm, acting through Delaney, failed to develop and implement AML policies, procedures and internal controls reasonably designed to achieve compliance with the BSA and implementing regulations. The complaint further alleges that the AML procedures failed to address the detection, monitoring, analyzing, investigating and reporting of suspicious activity in the context of its securities liquidation business. The firm and Delaney should have detected the suspicious nature of a customer's liquidation of low-priced securities, investigated the activity and made suspicious activity report (SAR) filings as necessary but instead, permitted the customer's suspicious trading activity to occur and failed to report any activities through a SAR as necessary. In addition,

the complaint alleges that the firm, acting through Delaney, either failed to identify or ignored red flags involving numerous instances of potentially suspicious activities, and thus failed to sufficiently investigate and, if necessary, report these activities in accordance with its WSPs, the requirements of the BSA, and implementing regulations. Moreover, the complaint alleges that when the firm became a FINRA member firm, it agreed, as part of its membership agreement, that a registered representative would be subjected to heightened supervision. The firm's WSPs required registered representatives with prior disciplinary disclosures to be placed under heightened supervision, but the firm failed to cause the order memoranda to be initialed prior to the representative's execution of transactions or to verify his customers' account information. Furthermore, the complaint alleges that Delaney assigned another principal to conduct the heightened supervision but the principal was not consistently available to implement such supervision because he reported to work only two or three days per week, and also relied on Delaney to notify him if any of the representative's accounts exhibited third-party trading authority although Delaney was prohibited from directly supervising the representative in the firm's membership agreement. The firm, acting through Delaney, failed to enforce its WSPs and impose heightened supervision on the representative. (**FINRA Case #2010021108301**)

James Edward Rooney Jr. (CRD #1857754, Registered Principal, Carrollton, Texas) was named a respondent in a FINRA complaint alleging that as his member firm's CCO, branch office manager and a registered representative's supervisor, he failed to reasonably supervise a registered representative's activities regarding his solicitations and sales away from the firm of securities in the form of installment plan contracts offered by a purported charitable organization allegedly recognized by the IRS as a tax-exempt entity. Had Rooney verified the claim, he would have learned that the organization's application for tax-exempt status had not been granted by the IRS and was pending. Rooney failed to inquire concerning the availability of a tax deduction to investors. Had he done so, he would have learned that individuals who invest in products issued by purported charitable organizations whose application for tax-exempt status is pending are not guaranteed receipt of a tax benefit until the IRS ultimately approves the organization's 501(c)(3) application. The complaint alleges that Rooney failed to conduct any inquiry regarding the manner and/or mechanism by which the organization could guarantee return to its investors, including the manner in which the funds of the customers would be segregated and invested and the identity of the person(s) or entities responsible for the management of such funds. Rooney failed to conduct adequate research concerning the organization and its principals. Had he done so, he would have learned about a State of Washington cease-and-desist order against the organization and two of its officers. The complaint also alleges that Rooney failed to ensure that the registered representative provided written notice to the firm of his participation in the installment plan contract and approve or disapprove in writing, the individuals' participation. Rooney failed to review the organization's brochure and flyer for compliance with NASD rules and failed to approve and/or disapprove use of the materials. The complaint further alleges that Rooney participated in the solicitation

and sale of one installment plan contract to an elderly investor, for compensation, without providing prior written notice to his member firm. Moreover, because Rooney conducted an insufficient due diligence investigation of the issuer of the installment plan contract, he lacked an adequate and reasonable basis to recommend this security product to the customer. In addition, the complaint alleges that Rooney made material misrepresentations to the customer regarding the organization's tax exempt status, and the customer's entitlement to receive a tax deduction/benefit. In soliciting the customer's investment, Rooney presented the customer with sales literature that was misleading, oversimplified and incomplete. (**FINRA Case #2009019042402**)

Complaint Dismissed

(FINRA issued the following complaint, which represented FINRA's initiation of a formal proceeding. The findings as to the allegations were not made, and the Hearing Officer has subsequently ordered that the complaint be dismissed.)

Linda Marie Kunert (CRD #2172277)
Johnston, Iowa
FINRA Case #2010022128301

Firm Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

TWS Financial, LLC. (CRD #128572)
Brooklyn, New York
(December 29, 2012)
FINRA Cases #2010021079602 & #2010021079603

Firms Cancelled for Failure to Pay Outstanding Arbitration Fees Pursuant to FINRA Rule 9553

Comprehensive Programs, Inc. dba CPI Capital (CRD #44575)
Voorhees, New Jersey
(December 10, 2012)

Grigsby & Associates, Inc. (CRD #13364)
San Francisco, California
(November 7, 2012)

Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

Advanced Equities, Inc. (CRD #35545)
Chicago, Illinois
(December 21, 2012)

CPFG Securities, Inc. (CRD #146003)
Chico, California
(December 21, 2012)

Delphi Securities Corporation dba Delphi Securities, Corp (CRD #156529)
Danville, California
(December 26, 2012)

North Atlantic Securities, L.L.C. (CRD #123435)
Cedar Park, Texas
(December 26, 2012)

Red Wing Capital, LLC (CRD #149480)
Indianapolis, Indiana
(December 28, 2012)

TWS Financial, LLC. (CRD #128572)
Brooklyn, New York
(December 21, 2012)

Viewpoint Securities, LLC (CRD #104226)
San Diego, California
(December 28, 2012)

Firm Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

PSG Executions, Inc. (CRD #119564)
Fort Lee, New Jersey
(September 20, 2012 – October 5, 2012)

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Evan Christopher Alexander (CRD #6044480)
Spring, Texas
(December 31, 2012)
FINRA Case #2012032881601

Aaron Dean Anderson (CRD #5361159)
Plover, Wisconsin
(December 3, 2012)
FINRA Case #2012032329101

Ronald Gene Anglin (CRD #3171868)
Canyon Country, California
(December 28, 2012)
FINRA Case #2011028012601

Sallee Jo Barnett (CRD #3132151)
Evansville, Indiana
(December 28, 2012)
FINRA Case #2012032649901

Harold Edwin Bissett Jr. (CRD #858422)
New Bern, North Carolina
(December 31, 2012)
FINRA Case #2012032495001

Matthew D. Caquelin (CRD #5603991)
Minneapolis, Minnesota
(December 3, 2012)
FINRA Case #2012032489601

Sohrab H. Chowdhury (CRD #4887352)
Woodside, New York
(December 31, 2012)
FINRA Case #2012032712101

Tahirou Ardell Dioury (CRD #4578553)
Edina, Minnesota
(December 3, 2012)
FINRA Case #2012031693901

Daniel Ross Gold (CRD #1876567)
Hoboken, New Jersey
(December 3, 2012)
FINRA Case #2012032020601

Daniel Jay Hixon (CRD #4947969)
Saint George, Utah
(December 31, 2012)
FINRA Case #2012032726401)

Justin William Keener (CRD #2956478)
Miami Beach, Florida
(October 22, 2012)
FINRA Case #2011029820501/FPI110005

Donna Lee Kwiatek (CRD #4741352)
Deer Park, Washington
(December 28, 2012)
FINRA Case #2012032666701

Neina A. Manning-Frazer (CRD #6015714)
Brooklyn, New York
(December 31, 2012)
FINRA Case #2012033106001

Mark Darren Morrow (CRD #1708880)
Cincinnati, Ohio
(December 24, 2012)
FINRA Case #2012033425101

Bojlur Rahman (CRD #5505788)
Woodside, New York
(December 3, 2012)
FINRA Case #2012032455601

Ryan Willis (CRD #6024427)
Ballwin, Missouri
(December 28, 2012)
FINRA Case #2012032117901

A. Wilson Woolf (CRD #2053994)
Bethlehem, Pennsylvania
(December 27, 2012)
FINRA Case #2012031544201

Individuals Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Timothy Alexander Day (CRD #4190874)
New York, New York
(December 11, 2012)
FINRA Case #2010022640002

Thomas Michael Giugliano (CRD #2804591)
Cold Spring Harbor, New York
(December 24, 2012)
FINRA Case #2008011665801

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Steven Neil Barbot (CRD #5647121)
Bronx, New York
(December 6, 2012)
FINRA Case #2011028205201/FPI120012

Donna A. Baskerville (CRD #5713753)
Houston, Texas
(December 7, 2012)
FINRA Case #2012033993501

Lynn Robert Goldney (CRD #1325181)
Lake Havasu City, Arizona
(December 7, 2012)
FINRA Case #2011027853401

George Grafas (CRD #2427969)
Jericho, New York
(December 3, 2012)
FINRA Case #2011030652501

David Miller (CRD #2570012)
Rockville Centre, New York
(December 3, 2012)
FINRA Case #2012034613301

Richard John Nelson (CRD #2718193)
Brooklyn, New York
(December 20, 2012)
FINRA Case #2010025569301

Gladys Gemma Oliva (CRD #2805990)
Beacon, New York
(December 10, 2012)
FINRA Case #2012033939201

Reginald Pierre (CRD #6051494)
Brooklyn, New York
(December 13, 2012)
FINRA Case #2012032314901

Phillip Quist (CRD #5799622)
New York, New York
(December 7, 2012)
FINRA Case #2012033867401

Christopher John Rascionato (CRD #4369972)
Oceanside, New York
(December 20, 2012)
FINRA Case #2011030101501

Byron Ray Walston (CRD #2699991)
The Hills, Texas
(December 7, 2012)
FINRA Case #2011030090301

Courtney Lynette Whalum (CRD #4360310)
Franklin, Tennessee
(December 3, 2012)
FINRA Case #2012033340701

Individual Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Anthony John Salino (CRD #2162704)
New Fairfield, Connecticut
(April 19, 2012 – December 14, 2012)
FINRA Arbitration Case #10-00417

Individual Suspended for Failure to Pay Restitution Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Paul James Marshall (CRD #1889692)
Marietta, Georgia
(November 16, 2012)
FINRA Case #2008014285801

FINRA Orders Pruco Securities to Pay $10.7 Million in Restitution for Improper Pricing of Mutual Fund Orders; Firm Fined $550,000

The Financial Industry Regulatory Authority (FINRA) announced that it has ordered Pruco Securities, LLC of Newark, New Jersey, to pay more than $10.7 million in restitution, plus interest, to customers who placed mutual fund orders with Pruco via facsimile or mail (paper orders) from late 2003 to June 2011 and received an inferior price for their shares. FINRA also fined Pruco $550,000 for its pricing errors and for failing to have an adequate supervisory system and written procedures in this area.

Brad Bennett, Executive Vice President and Chief of Enforcement, said, "Pruco's inadequate supervision and pricing system resulted in thousands of customers receiving inferior prices for more than seven years. Broker-dealers must ensure that their systems provide customers with accurate pricing for all products that the firms offer."

One of Pruco's retail brokerage business units, COMMAND, instituted a practice for handling mutual fund paper orders that was inconsistent with the pricing requirements of the Investment Company Act of 1940, which requires that mutual fund orders are priced on the day the order is received prior to 4:00 p.m. Instead, from late 2003 to June 2011, COMMAND priced more than 850,000 paper orders, on average, one or two days after it received complete orders prior to 4 p.m. The employees mistakenly believed that they could use "best efforts," (i.e. up to two business days) to process mutual fund paper orders and that paper orders could be priced on the date the order was processed, even if Pruco received a complete order prior to that date. As a result of these findings, approximately 37,000 accounts for 34,000 customers will receive more than $10.7 million in restitution, plus interest. The firm is in the process of calculating restitution for up to 3,240 additional customers who will receive restitution upon the firm's completion of its review. The issue was discovered after an inquiry to COMMAND personnel regarding a fax order submitted had not been executed until the day after it was received as a complete order.

FINRA also found that Pruco failed to have an adequate supervisory system to detect and prevent the mispricing of paper mutual fund orders and to ensure that customers who submitted paper mutual fund orders received the correct price. Additionally, Pruco failed to have written procedures for the pricing of mutual fund orders, and did not provide its employees with any training or training materials regarding paper mutual fund pricing requirements.

When determining the sanctions imposed in this matter, FINRA took into consideration that the firm self-reported the pricing issue, undertook an internal review, implemented changes to its policies and procedures and commenced restitution to the affected customers.

In concluding **the settlement**, Pruco, neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

FINRA Sanctions Five Firms $4.4 Million for Using Municipal and State Bond Funds to Pay Lobbyists

The Financial Industry Regulatory Authority (FINRA) announced that it has sanctioned five firms a total of more than $4.48 million for unfairly obtaining the reimbursement of fees they paid to the California Public Securities Association (Cal PSA) from the proceeds of municipal and state bond offerings. The firms violated fair dealing and supervisory rules of the Municipal Securities Rulemaking Board by obtaining reimbursement for these voluntary payments to pay the lobbying group. The firms were fined more than $3.35 million and are required to pay a total of $1.13 million in restitution to certain issuers in California.

FINRA sanctioned the following firms:

- **Citigroup** – $888,000 fine and $391,106 in restitution
- **Goldman Sachs** – $568,000 fine and $115,997 in restitution
- **JP Morgan** – $465,700 fine and $166,676 in restitution
- **Merrill Lynch** – $787,000 fine and $287,200 in restitution
- **Morgan Stanley** – $647,700 fine and $170,054 in restitution

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, "Issuers are entitled to know what they are paying for and why. It was unfair for these underwriters to pass along the costs of their Cal PSA membership to the municipal and state bond taxpayers, neglecting to disclose that these costs were unrelated to the bond deals."

FINRA found that between January 2006 and December 2010, the firms made payments to Cal PSA, an association that engages in a variety of political activities including lobbying on behalf of companies seeking to influence California state government, and requested that those voluntary payments be reimbursed as underwriting expenses from the proceeds of the negotiated municipal and state bond offerings. This practice was unfair as Cal PSA's activities did not bear a direct relationship to those bond offerings and were not underwriting expenses. Also, the firms did not adequately disclose the nature of the fees to issuers and failed to establish reasonable procedures in this area. In fact, the need for adequate policies and procedures in this area was heightened in light of the nature of Cal PSA's political activities. In addition, Citigroup, Goldman, Merrill Lynch and Morgan Stanley failed to have adequate systems and written supervisory procedures reasonably designed to monitor how the municipal securities associations used the funds that these firms paid.

In settling these matters, the firms neither admitted nor denied the charges, but consented to the entry of FINRA's findings.