

Notices

Regulatory Notices

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Disciplinary and Other FINRA Actions

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Clearing Deposits

Interpretive Guidance on Capital Treatment of Introducing Broker-Dealers' Clearing Deposits

Effective Dates: Immediately with respect to Interpretation I; January 5, 2009, with respect to Interpretation II

Executive Summary

This *Notice* provides FINRA member firms with interpretive guidance from the staff of the Securities and Exchange Commission's Division of Trading and Markets regarding clearing deposits:

- **Interpretation I**, applicable to all clearing agreements and effective immediately, clarifies the net capital treatment of introducing firms' clearing deposits with their clearing firm in the event the clearing agreement is terminated.
- **Interpretation II**, effective January 5, 2009, addresses termination penalty clauses in clearing agreements and affects only those member firms whose clearing agreements contain such a clause.

We strongly encourage all firms that are a party to a clearing agreement to review this *Notice* carefully for its impact and any action that may be necessary.

Questions regarding this *Notice* may be directed to:

- Anthony Lucarelli, Director, Risk Oversight & Operational Regulation, at (646) 315-8520;
- Bernadette Chichetti, Director, Risk Oversight & Operational Regulation, at (646) 315-8428; or
- Susan DeMando, Associate Vice President, Financial Operations, at (202) 728-8411.

September 2008

Notice Type

- Guidance

Suggested Routing

- Compliance
- Legal
- Operations
- Regulatory Reporting
- Senior Management

Key Topic(s)

- Clearing Agreements
- Clearing Deposits
- Net Capital Requirements

Referenced Rules & Notices

- SEA Rule 15c3-1

Background and Discussion

Many clearing and carrying agreements (clearing agreements) require the introducing firm to deposit money with the clearing firm (clearing deposit) to cover any obligations that may arise from the clearance of the introducing firm's accounts (*e.g.*, unsecured customer debit balances). Such clearing deposits are typically retained by the clearing firm for the duration of the clearing arrangement and are generally returned to the introducing firm, as long as the introducing firm does not have obligations to the clearing firm that it cannot otherwise satisfy, within a short period after the termination of the clearing arrangement. The interpretive guidance in this *Notice* deals with the time period in which an introducing firm may consider its clearing deposit as an allowable asset for net capital purposes once the clearing agreement has been terminated.

Some FINRA introducing firms have entered into clearing agreements that, in addition to requiring a clearing deposit, contain a provision or clause that would impose a monetary penalty upon the introducing firm (payable to the clearing firm) if the introducing firm voluntarily terminates the clearing arrangement prior to a period specified in the agreement (termination penalty clause). Typically, such clauses are effective at the time the agreement is entered into but cease after a specified period, after which a monetary penalty would not be imposed on the introducing firm if it were to voluntarily terminate its clearing arrangement with the clearing firm. A common reason that clearing firms impose such termination penalty clauses is to ensure that they retain the introducing firm clearing relationship for a period sufficient to recoup investments in technology, systems, and personnel, among other things, which accommodate the clearance of an introducing firm's accounts.

These termination penalty clauses have given rise to questions about the clearing firm's rights to the clearing deposit of an introducing firm that is subject to an early termination penalty if the introducing firm becomes the subject of a protective decree pursuant to the Securities Investor Protection Act of 1970. Questions have also arisen as to how the introducing firm should contemplate such clauses vis a vis its net capital computation.

These issues, and the guidance provided by the staff of the Securities and Exchange Commission (SEC), are discussed on the next page.

Interpretation I – Net Capital Treatment of a Clearing Deposit Upon Termination of the Agreement

The SEC interpretation of Securities Exchange Act (SEA) Rule 15c3-1 provides that a clearing deposit may be treated as an allowable asset, provided that the clearing agreement explicitly states that the deposit will be returned to the introducing firm within 30 calendar days after cancellation of the agreement. The SEC's interpretation further requires that a written Proprietary Accounts of Introducing Brokers (PAIB) agreement has been executed between the clearing and introducing firms. Moreover, the clearing agreement must state that the introducing firm's clearing deposit does not represent an ownership interest in the clearing broker-dealer in order for the clearing deposit to be deemed allowable for capital purposes.¹

FINRA staff has received questions about the definition of "cancellation of the agreement." As an example, an introducing firm may give notice to the clearing firm that it will cancel its clearing agreement on X date (cancellation date), in which case it must receive its clearing deposit within 30 days after such date. Firms have stated that in some cases the process of transferring all of the introducing firm's customers to the new clearing firm may not be completed, or even begun, within the 30 days of the cancellation date. In such case, the clearing firm may retain the clearing deposit until the transfer of accounts to the new clearing firm has been completed. While the retention of the deposit by the clearing firm in such case may be deemed operationally reasonable, the current interpretation to SEA Rule 15c3-1 does not provide flexibility to accommodate the operational reality and requires the introducing firm to apply a net capital charge for the unreturned deposit on the 31st day after the cancellation date.

To assist member firms in fulfilling their obligations to each other upon the termination of a clearing arrangement under such circumstances, FINRA sought guidance from the SEC. As a result, effective immediately, the interpretation of SEA Rule 15c3-1, as described above, is amended to reflect that the 30-calendar day period shall commence five business days after the date of the initial transfer of customer accounts. The amount of any clearing deposit held under the terms of the clearing agreement that is not returned to the introducing firm within 30 calendar days after the five-business-day grace period shall be treated as a non-allowable asset in the computation of the introducing firm's net capital commencing on the 31st day.

Interpretation II – Clearing Agreements Containing an Early Termination Penalty Clause

Due to the potential lien on the introducing firm's clearing deposit if such firm becomes the subject of the issuance of a protective decree pursuant to the Securities Investor Protection Act of 1970 while the termination clause is still in effect, the introducing firm must treat any clearing deposits of cash and/or securities held by its clearing broker-dealer, up to the amount of the termination penalty, as non-allowable assets pursuant to SEA Rule 15c3-1, unless the clearing agreement contains the following language:

In the event that [the Introducing Broker-Dealer] is the subject of the issuance of a protective decree pursuant to the Securities Investor Protection Act of 1970 (15 USC 78aaa-III), [the Clearing Firm's] claim for payment of a termination fee under this Agreement shall be subordinate to claims of [the Introducing Broker's] customers that have been approved by the Trustee appointed by the Securities Investor Protection Corporation pursuant to the issuance of such protective decree.

The above quoted language is voluntary on behalf of the clearing firm. In this regard, in order for an introducing firm that is party to a clearing agreement containing a termination penalty clause to treat its clearing deposit as an allowable asset for net capital purposes, its clearing agreement must be amended to include the aforementioned language by January 2, 2009. The clearing firm may provide the additional language either in an amended clearing agreement, or an addendum to an existing clearing agreement.

Further, each clearing firm must provide by January 2, 2009 written documentation to its FINRA Coordinator 1) stating that its clearing agreements have been revised accordingly for all of its introducing firms, or 2) listing the names of the introducing broker-dealers whose clearing agreements were not revised. Absent the additional language specified above in its clearing agreement, an introducing firm whose clearing agreement contains a termination penalty clause must treat its clearing deposit, up to the amount of the early termination penalty, as a non-allowable asset starting January 5, 2009, until the early termination penalty is no longer applicable.

Notwithstanding the above, on the date that an introducing firm provides notice to the clearing firm of its voluntary termination of a clearing agreement that results in a termination penalty (*i.e.*, the termination clause has not expired), the introducing firm must apply a net capital charge for the lesser of the amount of the termination penalty or the amount of the clearing deposit. The introducing firm must also make a determination, under generally accepted accounting principles, whether it must accrue a liability to reflect the effect of the termination penalty clause. An introducing firm that accrues a liability for the full amount of the termination penalty may reduce the aforementioned net capital charge by the amount of such accrual. The amount of any such accrued liability must be included in aggregate indebtedness by introducing firms that use the Basic Method of computing their net capital requirement pursuant to SEA Rule 15c3-1.

Endnotes

- 1 This interpretation was published by the New York Stock Exchange as interpretation /021 of SEA Rule 15c3-1(c)(2)(iv)(E).

Customer Complaint Reporting

Changes to Customer Complaint Reporting Procedures under NASD Rule 3070(c) and NYSE Rule 351(d)

Effective Date: October 1, 2008

Executive Summary

NASD Rule 3070(c) and Incorporated NYSE Rule 351(d) require all member firms to report on a quarterly basis statistical information regarding customer complaints.¹ Firms must file this information by the 15th calendar day of the month following the end of each quarter (e.g., by April 15 for the first quarter). The information reported by member firms provides FINRA with an important regulatory tool that assists us with the timely identification of potential sales practice and operational issues.

The following changes to the customer complaint reporting procedures under NASD Rule 3070(c) and NYSE Rule 351(d) will become effective on October 1, 2008, and therefore must be reflected in the fourth quarter 2008 customer complaint filing (due January 15, 2009).

Questions concerning this *Notice* should be directed to Dave Troutner, Deputy Director, Central Review Group, Member Regulation, at (240) 386-6404.

September 2008

Notice Type

- Guidance

Suggested Routing

- Chief Compliance Officer
- Legal and Compliance
- Operations
- Senior Management

Key Topic(s)

- Customer Complaint Reporting Code Changes

Referenced Rules & Notices

- NASD Rule 3070(c)
- NYSE Rule 351(d)

Background and Discussion

FINRA is revising the problem and product codes used to report statistical information regarding customer complaints to better categorize complaints reported to FINRA. A significant number of complaints relating to the new and revised descriptions below had previously been reported under the miscellaneous codes for operational and sales practice complaints. These revisions and additions will better enable FINRA to identify potential sales practice and operational issues.

New Problem and Product Codes and Descriptions

Operational Problem Codes and Descriptions

Due to the increased number of complaints reported in the “Account Administration and Processing” problem category (Code #61), FINRA conducted a detailed review of the issues underlying these complaints. Based on this review, we divided the “Account Administration and Processing” category into three sub-categories, each with its own code number. The two new code categories are:

- ▶ **Account Administration and Processing — Account Opening – Code #65**
Allegations concerning problems establishing a new account (*e.g.*, delays in opening account, and issues with account type and documentation).
- ▶ **Account Administration and Processing — Account Maintenance – Code #66**
Allegations concerning non-transaction-related problems with existing accounts (*e.g.* address changes, investment objective changes, title changes and account closing issues).

We changed the title of Code #61 to more clearly distinguish it from Code #65 and Code #66. Its substance remains the same but for the substitution of the word “inaccurate” for the word “erroneous”:

- ▶ **Account Administration and Processing — Daily Activities – Code #61**
Allegations concerning daily activity in client accounts (*e.g.*, trade correction, journal entries, un-invested credit balances, and inaccurate or missing positions in an account).

The word “erroneous” has been changed to “inaccurate” to clarify the types of complaints that should be categorized as Account Administration and Processing — Daily Activities versus complaints involving errors which may need to be coded as sales practice.

In addition, we established a new “online” code to capture complaints relating to access and functionality of a firm’s online system. Since the current “Online Trading” problem category (Code #62) is primarily intended to capture execution-related complaints associated with online accounts (including non-execution, price discrepancy, delays in execution and delays in trade confirmation), firms have reported general complaints about online access and functionality in the “Miscellaneous” Non-Sales Practice problem category (Code #99). To capture these complaints more accurately, we added a new Non-Sales Practice problem category, “Online Issues”:

► **Online Issues – Code #67**

Allegations concerning access and functionality of a firm’s online system (connectivity and navigation).

We are retaining the “Online Trading” category (Code #62), which member firms should continue to use to report complaints primarily involving execution-related issues associated with online accounts.

Sales Practice Problem Code and Description

To reduce the number of complaints reported in the “Miscellaneous” Sales Practice category (#00), we added a new category titled “Poor Recommendation/Poor Advice” (Code #12):

► **Poor Recommendation/Poor Advice – Code #12**

Allegations that a recommendation to purchase, sell or exchange a security constituted poor advice.

Firms should continue to use the “Poor Performance” category (Code #23) for customer complaints about poor account performance that do not allege any sales practice violations against the registered person or attribute damages to a research analyst recommendation (not otherwise reportable under Problem Codes #20 (Research), #21 (Product Origination/Investment Banking), or #22 (Trading)).

Operational and Sales Practice Product Code and Description

We added a new product code to classify complaints relating to Structured Products:

➤ **Structured Products – Code #42**

Structured Products, which are defined as investment instruments designed to facilitate a particular risk-return objective, the performance of which is based on one or more referenced asset, index, interest rate, or other market measure. Some structured products offer full protection of the principal invested, whereas others offer limited or no protection of the principal. Structured Products may be listed on a securities exchange or traded in the over-the-counter market.

Endnotes

- 1 FINRA has incorporated into its rulebook certain rules of the NYSE, including NYSE Rule 351. The Incorporated NYSE rules apply solely to those members of FINRA that are also members of NYSE (“Dual Members”). In applying the Incorporated NYSE rules to Dual Members, FINRA also has incorporated the related interpretive positions set forth in the NYSE Rule Interpretations Handbook and NYSE Information Memos.

Bulk Exchanges of Shares of Certain Reserve Funds

Special Allowance to Permit Bulk Exchanges of Shares of Certain Reserve Funds

Executive Summary

FINRA is issuing this *Notice* to allow member firms to exchange customer assets that are invested in the Reserve Primary Fund, the Reserve Yield Plus Fund, and the Reserve International Liquidity Fund (the Funds) in bulk for shares of another money market mutual fund or for deposits in an FDIC-insured bank without complying with all of the requirements of NASD Rule 2510(d), subject to certain conditions. In particular, firms may:

- Exchange shares of the Funds either for shares of another money market mutual fund or an FDIC-insured deposit account; and
- Conduct the bulk exchange¹ prior to notifying customers, provided written notification is sent out promptly thereafter.

Questions concerning this *Notice* should be directed to Thomas M. Selman, Executive Vice President, at (202) 728-6977 or Joseph P. Savage, Vice President and Counsel, at (240) 386-4534.

Background & Discussion

NASD Rule 2510 imposes certain requirements on member firms and their associated persons that have discretionary power over a customer's account, including prohibitions on excessive transactions, requirements for prior written customer consent as to the individuals possessing discretionary authority, and requirements related to the firm's review and approval of discretionary orders.²

September 2008

Notice Type

- Special Alert

Suggested Routing

- Compliance
- Legal
- Mutual Funds
- Registered Representatives
- Senior Management

Key Topic(s)

- Money Market Mutual Funds
- Bulk Exchanges

Referenced Rules & Notices

- NASD Rule 2310
- NASD Rule 2510

Rule 2510(d)(2) states that these provisions shall not apply to bulk exchanges at net asset value of money market mutual funds utilizing negative response letters sent to customers, provided certain conditions are met. In order to qualify for this exception:

- ▶ The bulk exchange must be limited to situations involving mergers and acquisitions of funds, changes of clearing members and exchanges of funds used in sweep accounts;
- ▶ The negative response letter must contain a tabular comparison of the nature and amount of the fees charged by each fund;
- ▶ The negative response letter must contain a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased; and
- ▶ The negative response feature must not be activated until at least 30 days after the date on which the letter was mailed.³

On September 16 and 17, 2008, The Reserve announced that the net asset values of the Funds had fallen below \$1.00 per share.⁴ Member firms have inquired whether they may make bulk exchanges of customer assets that are invested in the Funds, to either another money market mutual fund or deposits held at a bank insured by the Federal Deposit Insurance Corporation (FDIC) without complying with all of the requirements of Rule 2510(d)(2). Given the need to protect investors, and after consultation with the Securities and Exchange Commission (SEC) staff, FINRA has agreed to permit bulk exchanges of customer assets invested in the Funds to another money market mutual fund or an FDIC-insured bank account without compliance with all of the provisions of Rule 2510(d)(2), subject to certain conditions.

First, member firms may exchange customers' assets from the Funds for either shares of another money market mutual fund whose net asset value is \$1.00 per share and that is required to comply with Rule 2a-7 under the Investment Company Act of 1940, or for deposits in an FDIC-insured bank.⁵ Members must ensure that the money market mutual fund or bank deposit account into which it is moving customer assets is suitable for each customer based on the requirements of NASD Rule 2310.

Second, while member firms may exchange customers' assets prior to sending out a notice of the bulk exchange, they must notify customers in writing promptly after the exchange.⁶ The notice must include the tabular comparison of the nature and amount of fees charged by each fund as required by Rule 2510(d)(2)(B) and the comparative description of the investment objectives of each fund and a prospectus of the new money market mutual fund as required by Rule 2510(d)(2)(C). If customers' assets are being moved into an FDIC-insured bank account, the notice must include a description of the account, any fees associated with the account, and a listing of the account's terms and conditions that the bank normally provides to customers opening such an account.⁷

Endnotes

- 1 For purposes of this *Notice*, the term “bulk exchange” refers to both the movement of existing customer assets from the Funds to another money market mutual fund or bank account, and the redirection of future customer cash flows into the new fund or account.
- 2 See NASD Rule 2510(a), (b) and (c).
- 3 NASD Rule 2510(d)(2).
- 4 Press Release, The Reserve (Sept. 16, 2008); Press Release, The Reserve (Sept. 17, 2008).
- 5 In the past, FINRA has issued guidance under Rule 2510 with regard to proposed bulk exchanges of customers’ money market mutual funds. See, e.g., Staff Interpretive Memo, “Use of a negative response process under NASD Rule 2510(d)(2)(D) to designate an alternative money market sweep fund when existing sweep fund closes with inadequate notice,” (May 15, 2008); Letter from Patricia Albrecht to George T. Simon (Jan. 26, 2005); Letter from Sarah J. Williams to Marc A. Cohn (Feb. 3, 2003). This *Notice* does not alter this guidance in any respect other than as expressly provided herein with regard to the Funds.
- 6 Customers who have consented to receiving communications from the member firm electronically may receive the notice in electronic form.
- 7 The SEC staff has asked FINRA to inform broker-dealers that, in structuring any bank sweep programs, broker-dealers should use the banking “brokered deposit” structure as a template for establishing the legal relationships between the broker-dealer, the bank and the customers.

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Trading Ahead of Customer Limit Orders

FINRA Announces Effective Date for Expansion of NASD IM-2110-2 to OTC Equity Securities and Revised Minimum Price-Improvement Standards in IM-2110-2

Effective Date: November 11, 2008

Executive Summary

Effective November 11, 2008, the requirements in *NASD Interpretive Material (IM) 2110-2* (Trading Ahead of Customer Limit Order) apply to over-the-counter (OTC) equity securities, as defined in NASD Rule 6610(d).¹ Also effective November 11, 2008, the minimum level of price improvement that firms must provide to trade ahead of an unexecuted customer limit order under IM-2110-2 is based on tiered standards that vary according to the price of the customer limit order.² The revised price-improvement standards apply to both OTC equity securities and NMS stocks. The text of IM-2110-2, as amended, is set forth in Attachment A of this *Notice*.

Questions regarding this *Notice* may be directed to the Legal Section, Market Regulation, at (240) 386-5126; or the Office of General Counsel at (202) 728-8071.

Background and Discussion

Current IM-2110-2 generally prohibits a firm from trading for its own account in an exchange-listed security at a price that is equal to or better than an unexecuted customer limit order in that security, unless the firm immediately thereafter executes the customer limit order at the price at which it traded for its own account or a better price. The legal underpinnings for IM-2110-2 are a firm's basic fiduciary obligations under agency law and the requirement that it must, in the conduct of its business, "observe high standards of commercial honor and just and equitable principles of trade."³

September 2008

Notice Type

- Rule Amendment

Suggested Routing

- Compliance
- Executive Representatives
- Legal
- Operations
- Senior Management
- Systems
- Trading
- Training

Key Topics

- Limit Orders
- Limit Order Protection
- Manning Rule
- Minimum Price-Improvement Standards
- OTC Equity Securities

Referenced Rules & Notices

- NASD IM-2110-2
- NASD Rule 6541
- NASD Rule 6610
- NTM 07-19

Expansion of IM-2110-2 to OTC Equity Securities

As announced in *Notice to Members 07-19* (April 2007), the SEC approved the expansion of IM-2110-2 to OTC equity securities and the deletion of NASD Rule 6541 (Limit Order Protection).⁴ Following publication of *NTM 07-19*, FINRA filed with the SEC a proposed rule change to delay the effective date of the expansion of IM-2110-2 to OTC equity securities to coincide with the effective date of the amendments to the minimum price-improvement standards discussed below.⁵

As described more fully in *NTM 07-19*, the limit order protection requirements under IM-2110-2 differ from those under Rule 6541. Effective November 11, 2008, firms must comply with the requirements of IM-2110-2 for limit orders in all OTC equity securities, including those previously covered by Rule 6541.

Revised Minimum Price-Improvement Standards

IM-2110-2 prescribes a minimum level of price improvement that a firm must provide to trade ahead of an unexecuted customer limit order. In other words, the price-improvement standards in IM-2110-2 impose a minimum amount by which a firm must trade, in addition to the price of the customer buy limit order (or less than the price of a customer sell order), to not trigger the protections under IM-2110-2. For example, if a firm is holding a customer limit order to buy priced at \$10.01 and the applicable minimum price-improvement standard is \$.01, the firm would be permitted to buy at \$10.02 or higher without triggering the requirements of IM-2110-2.

As part of the above-referenced proposed rule change expanding the scope of IM-2110-2 to apply to OTC equity securities, the SEC also approved amendments to the minimum price-improvement standards in IM-2110-2. In response to firms' concerns regarding the application of these standards, FINRA delayed the effective date of the approved amendments and subsequently filed with the SEC a proposed rule change to further amend the minimum price-improvement standards based on tiered standards that vary according to the price of the customer limit order. On September 12, 2008, the SEC approved the proposed amendments to the minimum price-improvement standards.⁶

As amended, IM-2110-2 sets forth the following minimum level of price improvement that a firm must provide to trade ahead of an unexecuted customer limit order:

Security Type	Price of Customer Limit Order	Minimum Price Improvement Required
NMS stocks	≥ \$1.00	\$0.01
OTC equity securities	≥ \$1.00	The lesser of \$0.01 or ½ of the current inside spread
NMS stocks and OTC equity securities	< \$1.00 but ≥ \$.01	The lesser of \$0.01 or ½ of the current inside spread
NMS stocks and OTC equity securities	< \$.01 but ≥ \$0.001	The lesser of \$0.001 or ½ of the current inside spread
NMS stocks and OTC equity securities	< \$.001 but ≥ \$0.0001	The lesser of \$0.0001 or ½ of the current inside spread
OTC equity securities	< \$.0001 but ≥ \$0.00001	The lesser of \$0.00001 or ½ of the current inside spread
OTC equity securities	< \$.00001	The lesser of \$0.000001 or ½ of the current inside spread

Additionally, as amended, IM-2110-2 provides that for customer limit orders priced outside the best inside market for the security, the minimum amount of price improvement required must either meet the same tiered minimum price-improvement standards set forth above or the firm must trade at a price at or inside the best inside market for the security. For customer limit orders in securities for which there is no published inside market, the minimum amount of price improvement required defaults to the same tiered minimum price improvement standards described above.⁷

Amended IM-2110-2 also requires that any better-priced customer limit orders must receive protection up to the size of the triggering trade. Thus, once the minimum price-improvement standards trigger the protection of a pending customer limit order, a firm would be required to also protect any more aggressively priced customer limit order(s), even if those limit orders would not be directly triggered by the minimum price-improvement standards of IM-2110-2.

For example, assume the best inside market for an NMS stock is \$.996 to \$1.00 and a firm is holding customer limit orders to sell at prices of \$.998 and \$1.00. If the firm sells for its own account at \$.996, under the minimum price-improvement standards set forth above, customer limit orders to sell priced below \$.998 and customer limit orders priced from \$1.00 up to, but not including, \$1.006 would be protected as a result of the firm's \$.996 triggering proprietary trade. Once the limit order priced at \$1.00 is activated upon the execution of the firm's trade at \$.996 (it is activated because it is within \$.01 of the price of the firm's trade), IM-2110-2, as amended, requires that the firm protect any more aggressively priced customer limit orders.

This requirement only applies in the limited circumstance where a firm has a limit order that is protected by IM-2110-2, but more aggressively priced customer limit orders are not protected. Therefore, in this example, if the firm were holding only a customer limit order to sell at \$.998 (and not a customer limit order to sell at \$1.00), the \$.998 order would not be triggered by this requirement.

FINRA is not mandating any particular order handling procedures or execution priorities among protected orders. Firms may choose any reasonable methodology for executing multiple orders triggered by IM-2110-2, but a firm must ensure that such methodology is applied consistently and complies with applicable rules and regulations. In the example above, the firm may implement a methodology that executes all more aggressively priced customer limit orders first (*i.e.*, the limit order priced at \$.998) before executing the limit order priced at \$1.00.

Firms accepting customer limit orders are reminded that they owe their customers duties of "best execution" regardless of whether the orders are executed through the firm or sent to another firm for execution. Order entry firms should continue to monitor routinely the handling of their customers' limit orders regarding the quality of the execution received.⁸

The expansion of IM-2110-2 to OTC equity securities and the amendments to the minimum price-improvement standards become effective on November 11, 2008.

Endnotes

- 1 See Securities Exchange Act Release No. 55351 (February 26, 2007), 72 FR 9810 (March 5, 2007) (order approving SR-NASD-2005-146). See also *Notice to Members 07-19* (April 2007).
- 2 See Securities Exchange Act Release No. 58532 (September 12, 2008) (order approving SR-NASD-2007-041), available at <http://www.sec.gov/rules/sro/nasd/2008/34-58532.pdf>.
- 3 See NASD Rule 2110. See also *In re E.F. Hutton & Co.* (known as the “Manning decision”), Securities Exchange Act Release No. 25887, 49 S.E.C. 829 (July 6, 1988), appeal filed, *Hutton & Co. Inc. v. SEC*, Dec. No. 88-1649 (D.C. Cir. September 2, 1988) (Stipulation of Dismissal Filed, January 11, 1989).
- 4 See *supra*, note 1.
- 5 See Securities Exchange Act Release No. 57133 (January 11, 2008), 73 FR 3500 (January 18, 2008) (notice of filing and immediate effectiveness of SR-FINRA-2007-038). See also Securities Exchange Act Release No. 56103 (July 19, 2007), 72 FR 40918 (July 25, 2007) (notice of filing and immediate effectiveness of SR-NASD-2007-39); and Securities Exchange Act Release No. 56822 (November 20, 2007), 72 FR 67326 (November 28, 2007) (notice of filing and immediate effectiveness of SR-FINRA-2007-023).
- 6 See *supra*, note 2.
- 7 With respect to OTC equity securities that are foreign securities traded in a foreign currency, firms must convert the foreign currency to US dollars for purposes of determining the applicable minimum price-improvement standards. A firm may use any reasonable business practice for the currency conversion, and must document its practice and apply the methodology consistently.
- 8 See IM-2110-2.

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Attachment A

Below is the text of the rule change. New language is underlined; deletions are in brackets.*

IM-2110-2. Trading Ahead of Customer Limit Order

(a) General Application

To continue to ensure investor protection and enhance market quality, NASD's Board of Governors is issuing an interpretation to NASD Rules dealing with member firms' treatment of their customer limit orders in NMS stocks and OTC equity securities. This interpretation, which is applicable from 9:30 a.m. to 6:30 p.m. Eastern Time, will require members to handle their customer limit orders with all due care so that members do not "trade ahead" of those limit orders. Thus, members that handle customer limit orders, whether received from their own customers or from another member, are prohibited from trading at prices equal or superior to that of the limit order without executing the limit order. In the interests of investor protection, NASD is eliminating the so-called disclosure "safe harbor" previously established for members that fully disclosed to their customers the practice of trading ahead of a customer limit order by a market-making firm.¹ For purposes of this interpretation, (1) "NMS stock" shall have the meaning set forth in SEC Rule 600(b)(47) of Regulation NMS and (2) "OTC equity security" shall have the meaning set forth in Rule 6610(d).

Rule 2110 states that:

A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

Rule 2320, the Best Execution Rule, states that:

In any transaction for or with a customer, a member and persons associated with a member shall use reasonable diligence to ascertain the best inter-dealer market for the subject security and buy or sell in such a market so that the resultant price to the customer is as favorable as possible to the customer under prevailing market conditions.

Interpretation

The following interpretation of Rule 2110 has been approved by the Board:

* This Attachment A is marked to show the amendments adopted pursuant to SR-NASD-2007-041 relating to the minimum price-improvements standards. The amendments adopted pursuant to SR-NASD-2005-146 relating to the expansion of IM-2110-2 to OTC equity securities appear as existing text.

A member firm that accepts and holds an unexecuted limit order from its customer (whether its own customer or a customer of another member) in an NMS stock or OTC equity security and that continues to trade the subject security for its own account at prices that would satisfy the customer's limit order, without executing that limit order, shall be deemed to have acted in a manner inconsistent with just and equitable principles of trade, in violation of Rule 2110, provided that a member firm may negotiate specific terms and conditions applicable to the acceptance of limit orders only with respect to limit orders that are: (a) for customer accounts that meet the definition of an "institutional account" as that term is defined in Rule 3110(c)(4); or (b) 10,000 shares or more, unless such orders are less than \$100,000 in value. In the event that a member trades ahead of an unexecuted customer limit order at a price that is better than the unexecuted limit order, such member is required to execute the limit order at the price received by the member or better. Nothing in this interpretation, however, requires members to accept limit orders from any customer.

By rescinding the safe harbor position and adopting this interpretation, NASD wishes to emphasize that members may not trade ahead of their customer limit orders even if the member had in the past fully disclosed the practice to its customers prior to accepting limit orders. NASD believes that, pursuant to Rule 2110, members accepting and holding unexecuted customer limit orders owe certain duties to their customers and the customers of other member firms that may not be overcome or cured with disclosure of trading practices that include trading ahead of the customer's order. The terms and conditions under which institutional account or appropriately sized customer limit orders are accepted must be made clear to customers at the time the order is accepted by the firm so that trading ahead in the firm's market-making capacity does not occur.

The minimum amount of price improvement necessary [in order] for a member to execute an incoming order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order is as follows:

1) For customer limit orders priced greater than or equal to \$1.00 [that are at or inside the best inside market], the minimum amount of price improvement required is \$0.01 for NMS stocks and the lesser of \$0.01 or one-half (1/2) of the current inside spread for OTC equity securities;

2) For customer limit orders priced greater than or equal to \$.01 and less than \$1.00 [that are at or inside the best inside market], the minimum amount of price improvement required is the lesser of \$.01 or one-half (1/2) of the current inside spread;

3) [For customer limit orders priced outside the best inside market, the member must price improve the incoming order by executing the incoming order at a price at or inside the best inside market for the security; and]

[4) For customer limit orders in securities for which there is no published inside market, the minimum amount of price improvement required is \$.01.]

For customer limit orders priced less than \$.01 but greater than or equal to \$0.001, the minimum amount of price improvement required is the lesser of \$0.001 or one-half (1/2) of the current inside spread;

4) For customer limit orders priced less than \$.001 but greater than or equal to \$0.0001, the minimum amount of price improvement required is the lesser of \$0.0001 or one-half (1/2) of the current inside spread;

5) For customer limit orders priced less than \$.0001 but greater than or equal to \$0.00001, the minimum amount of price improvement required is the lesser of \$0.00001 or one-half (1/2) of the current inside spread;

6) For customer limit orders priced less than \$.00001, the minimum amount of price improvement required is the lesser of \$0.000001 or one-half (1/2) of the current inside spread; and

7) For customer limit orders priced outside the best inside market, the minimum amount of price improvement required must either meet the requirements set forth above or the member must trade at a price at or inside the best inside market for the security.

If the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this IM, even if those better-priced limit orders would not be directly triggered under the minimum price-improvement standards above.

NASD also wishes to emphasize that all members accepting customer limit orders owe those customers duties of “best execution” regardless of whether the orders are executed through the member or sent to another member for execution. As set out above, the Best Execution Rule requires members to use reasonable diligence to ascertain the best inter-dealer market for the security and buy or sell in such a market so that the price to the customer is as favorable as possible under prevailing market conditions. NASD emphasizes that order entry firms should continue to monitor routinely the handling of their customers’ limit orders regarding the quality of the execution received.

(b) and (c) No Change.

1 No change to the footnote.

Short Selling

Procedures for Submitting Written Attestation of Bona Fide Market Making Relating to Fail-to-Deliver Positions

Executive Summary

FINRA is advising firms of the process by which market makers, under SEC Rule 204T, can submit their written attestation to extend the close-out requirements for fail-to-deliver positions established solely for the purpose of meeting its bona fide market making obligations. Market makers must complete the form in Attachment A to qualify for the extension.

Questions regarding this *Notice* may be directed to:

- Short Sale Section, Market Regulation, at (240) 386-5126;
- FINRA Operations, at (866) 776-0800; or
- Office of General Counsel, at (202) 728-8071.

Background & Discussion

On September 17, 2008, the SEC issued an Emergency Order adopting a temporary rule to Regulation SHO, Rule 204T, which generally provides that if a participant of a registered clearing agency has a fail-to-deliver position at a registered clearing agency in any equity security for a long or short sale transaction in that equity security, the participant shall, by no later than the beginning of regular trading hours on the settlement day following the settlement date of the transaction that resulted in the fail-to-deliver position, immediately close out the fail-to-deliver position by borrowing or purchasing securities of like kind and quantity.¹ On September 24, 2008, the SEC's Division of Trading and Markets issued guidance regarding these temporary requirements. As part of this guidance, the SEC extended Rule 204T(a)'s close-out requirement for fail-to-deliver positions attributable to

September 2008

Notice Type

- Guidance

Suggested Routing

- Compliance
- Legal
- Operations
- Senior Management
- Systems
- Trading and Market Making

Key Topic(s)

- Bona Fide Market Making
- Fails to Deliver
- Short Selling
- Settlement

Referenced Rules & Notices

- SEC Rule 204T of Regulation SHO

bona fide market making activities by registered market makers, options market makers, or other market makers obligated to quote in the over-the-counter market (collectively, market makers).² Market makers that qualify for this extension are permitted to close out the fail-to-deliver position attributable to the market maker by no later than the beginning of regular trading hours on the morning of the third settlement day after the settlement date for the transaction that resulted in the fail-to-deliver position. To qualify for the extension, the market maker must attest in writing to the market on which it is registered that the fail-to-deliver position was established solely for the purpose of meeting its bona fide market making obligations and describe the steps it has taken to deliver the securities.

Alternative Display Facility (ADF) market makers or market makers in OTC equity securities (*e.g.*, OTC Bulletin Board and Pink Sheet securities) that intend to avail themselves of this extension must submit to FINRA their written attestation in the form provided in Attachment A. Only registered market makers that display two-sided priced quotations on a continuous basis throughout the trading day are eligible for the extension.

Completed attestations must be faxed to FINRA Operations at (301) 978-8511 by the close of business on the settlement day following the original settlement date of the transaction(s).

Endnotes

- 1 See Exchange Act Release No. 58572 (September 17, 2008).
- 2 See Question #4, Division of Trading and Markets: Guidance Regarding the Commission's Emergency Order Concerning Rules to Protect Investors against "Naked" Short Selling Abuses (September 24, 2008).



FINRA MARKET MAKER WRITTEN ATTESTATION AND NOTICE RELATING TO THE CLOSE-OUT REQUIREMENTS OF RULE 204T OF REGULATION SHO

Member Name _____ Date _____

The above-referenced firm, a FINRA registered Market Maker, attests that it is subject to the closeout requirements of Rule 204T of Regulation SHO with respect to the position referenced below, which was acquired solely for the purpose of meeting its bona fide market making obligations. The firm understands that the extension of its close-out requirements under SEC Rule 204T applies only to those transactions in which it is acting as a bona fide Market Maker and that the applicant must close out the fail-to-deliver position no later than the beginning of regular trading hours on the morning of the third settlement day after the settlement date for the transaction that resulted in the fail-to-deliver position (T+6).

Security Name _____ Symbol _____

Trade Date of Relevant Activity _____

Settlement Date of Relevant Activity _____

Total Fail-to-Deliver Position as of Settlement Date _____

Amount of Fail-to-Deliver Position to be Closed Out by the Morning of Settlement Date +3 _____

Reason and circumstances for the fail-to-deliver position (*e.g.*, Market Maker obligation to maintain the market):

Specific actions taken by the Market Maker, including dates, in an effort to deliver the securities to its registered clearing agency (including the identity of all parties contacted for attempts to cover the position; attach additional sheets if necessary):

Extenuating circumstances (if any): _____

MEMBER FIRM ACKNOWLEDGES THAT THE SECURITIES AND EXCHANGE COMMISSION CAN WITHDRAW THIS GUIDANCE AT ANY TIME.

Officer's Signature _____

Print Name _____ Title _____ Phone Number _____

Fax Completed Form To: (301) 978-8511

Reporting of Transactions in Foreign Securities

SEC Approves Amendments to FINRA's Transaction Reporting Rules to Require Prompt Last Sale Reporting of Transactions in Foreign Securities

Effective Date: October 27, 2008

Executive Summary

Effective October 27, 2008, the reporting and dissemination of over-the-counter (OTC) transactions in all OTC Equity Securities (including domestic securities, foreign securities and ADRs) will be treated consistently. Consequently, beginning on that date, member firms will be required to report transactions in foreign securities within 90 seconds of execution (unless a specific exception applies), and FINRA will disseminate last sale information regarding those transactions on a real-time basis. The text of NASD Rule 6620, as amended, is set forth in Attachment A to this *Notice*.

Questions concerning this *Notice* should be directed to the Legal Section, Market Regulation, at (240) 386-5126 or the Office of General Counsel, at (202) 728-8071.

Background & Discussion

On August 8, 2008, the SEC approved amendments to FINRA's transaction reporting rules to eliminate the different reporting and dissemination treatment of transactions in OTC Equity Securities.¹ As a result of these amendments, beginning October 27, 2008, transactions in all OTC Equity Securities (including domestic securities, foreign securities and ADRs) will be treated in the same manner, from both a reporting and a dissemination standpoint.² Consequently, beginning on that date, transactions in foreign securities generally must be reported within 90 seconds of execution, and FINRA will disseminate last sale information regarding those transactions on a real-time basis.³

September 2008

Notice Type

- Rule Amendment

Suggested Routing

- Compliance
- Legal
- Operations
- Senior Management
- Trading

Key Topic(s)

- Foreign Securities
- Transaction Reporting

Referenced Rules & Notices

- NASD Rule 6610
- NASD Rule 6620
- Section 3 of Schedule A to the By-Laws
- Section 31 of the Securities Exchange Act of 1934

Prior to the amendments approved by the SEC, NASD Rule 6620(a) generally required that transactions in some OTC Equity Securities—domestic equity securities, ADRs, and Canadian issues, including those that are not registered with the SEC and otherwise subject to financial reporting—that were executed between 8:00 a.m. and 8:00 p.m. Eastern Time be reported to the OTC Reporting Facility within 90 seconds of execution.⁴ Foreign securities other than ADRs and Canadian issues were excluded from the 90-second reporting requirement and were required to be reported by 1:30 p.m. Eastern Time the day after the transaction was executed.⁵ Although not required, member firms were permitted to report transactions in foreign securities within 90 seconds of execution.⁶ Beginning October 27, 2008, this distinction in reporting obligations will be eliminated, and OTC transactions in foreign securities will be subject to the same reporting requirements that have been in place for domestic securities, Canadian issues, and ADRs pursuant to NASD Rule 6620.

In addition, there is a disparity in the way FINRA disseminates last sale information of OTC equity transactions to the marketplace. Although last sale information for transactions in domestic OTC Equity Securities reported pursuant to Rule 6620 is disseminated on a real-time basis, irrespective of whether the security was registered with the SEC, there is no uniformity in the dissemination of last sale information for transactions in ADRs and foreign securities. By requiring 90-second reporting for foreign securities transactions (unless a specific exception applies), FINRA also will begin uniformly disseminating trading information for all OTC Equity Securities on a real-time basis, providing improved transparency to the OTC market. Consequently, beginning October 27, 2008, FINRA will begin disseminating information for all reported transactions in OTC Equity Securities on a real-time basis if the transaction is required to be reported within 90 seconds of execution.

Endnotes

- 1 See Securities Exchange Act Release No. 58331 (August 8, 2008), 73 FR 47990 (August 15, 2008) (Order Approving SR-FINRA-2008-016). NASD Rule 6610(d) defines “OTC Equity Security” as “any non-exchange-listed security and certain exchange-listed securities that do not otherwise qualify for real-time trade reporting.” The term specifically excludes “restricted securities,” as defined in SEC Rule 144(a)(3) under the Securities Act of 1933, and any securities designated in the PORTAL Market. See NASD Rule 6610(c). The amendments do not change the reporting requirements for transactions in direct participation program securities, which are not required to be reported within 90 seconds of execution. See NASD Rule 6920(a).
- 2 The single exception is for transactions in foreign equity securities that are reported to a foreign regulator. See NASD Rule 6620(g)(2)(B). Transactions in foreign equity securities executed on and reported to a foreign securities exchange are also excepted from the FINRA reporting requirements. See NASD Rule 6620(g)(2)(A).
- 3 Section 31 of the Securities Exchange Act of 1934 requires FINRA to pay transaction fees and assessments to the SEC for sales transacted by or through its members otherwise than on a national securities exchange of securities subject to prompt last sale reporting (pursuant to the rules of the SEC or FINRA). This fee is designed to recover the costs related to the government’s supervision and regulation of the securities markets and securities professionals. To recover the costs of FINRA’s Section 31 obligation, FINRA assesses a regulatory transaction fee on its members under Section 3 of Schedule A to the FINRA By-Laws (Section 3 Fee), the amount of which is set in accordance with Section 31. Prior to the amendments described in this *Notice*, transactions in foreign securities (other than ADRs and Canadian issues) were not required to be reported “promptly” and were, therefore, excluded from the Section 3 Fee. The requirement to report transactions in foreign securities to FINRA within 90 seconds of execution will result in those transactions being subject to the Section 3 Fee. For the most recent fee rate, see *FINRA Information Notice 03/10/08*.
- 4 See NASD Rule 6620(a).
- 5 See NASD Rule 6620(a)(3)(C)(iii).
- 6 See NASD Rule 6620 n.1.

ATTACHMENT A

Below is the text of the rule changes. New language is underlined; deletions are in brackets.

FINRA has proposed renumbering NASD Rule 6620 as Rule 6622 in the Consolidated FINRA Rulebook. See SR-FINRA-2008-021.

* * * * *

6000. NASD SYSTEMS AND PROGRAMS

* * * * *

6600. OVER-THE-COUNTER EQUITY SECURITIES

* * * * *

6620. Transaction Reporting

(a) When and How Transactions are Reported

(1) through (2) No change.

(3) Transaction Reporting Outside Normal Market Hours

(A) through (B) No change.

(C) Last sale reports of transactions in OTC Equity Securities executed outside the hours of 8:00 a.m. and 8:00 p.m. Eastern Time shall be reported as follows:

(i) Last sale reports of transactions in [American Depositary Receipts (ADRs), Canadian issues, or domestic] OTC Equity Securities that are executed between midnight and 8:00 a.m. Eastern Time shall be transmitted to the OTC Reporting Facility between 8:00 a.m. and 9:30 a.m. Eastern Time on trade date and be designated as "T" trades to denote their execution outside normal market hours. Transactions not reported before 9:30 a.m. shall be reported after 4:00 p.m. and before 8:00 p.m. as .T trades. The party responsible for reporting on trade date, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below; and

(ii) Last sale reports of transactions in [ADRs, Canadian issues, or domestic] OTC Equity Securities that are executed between 8:00 p.m. and midnight Eastern Time shall be transmitted to the OTC Reporting Facility on the next business day (T+1) between 8:00 a.m. and 8:00 p.m. Eastern Time, and be designated as “as of” trades to denote their execution on a prior day. The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below.]; and]

[(iii) Last sale reports of transactions in foreign securities (excluding ADRs and Canadian issues) shall be transmitted to the OTC Reporting Facility on T+1 regardless of time of execution.¹ Such reports shall be made between 8:00 a.m. and 1:30 p.m. Eastern Time in the same manner as described in subparagraph (3)(B)(ii) above.]

(4) through (9) No change.

(b) through (g) No change.

[1 Member firms that have the operational capability to report transactions in foreign securities (excluding ADRs and Canadian issues) within 90 seconds of execution, between the hours of 8:00 a.m. and 5:15 p.m. Eastern Time, may do so at their option. If a firm chooses this option, it need not report the same transaction(s) on T+1 as prescribed by subsection (ii)(c).]

Information Notice

Loose-Leaf FINRA Manual Subscription

Currently, the executive representative at each FINRA member firm automatically receives a complimentary subscription to the printed, loose-leaf edition of the *Manual* (i.e., the binder version of the FINRA rulebook). The subscription includes a binder with replacement pages that are mailed as the rules change.

In recognition of the prevalence of the online version of the *Manual* (www.finra.org/onlinemanual) and environmental considerations, FINRA is moving to an opt-in format for the complimentary, loose-leaf *Manual* subscription.

Executive representatives who wish to continue receiving the complimentary, loose-leaf subscription must complete the *Manual* opt-in form at www.finra.org/manual/optin by **October 31, 2008**. Executive representatives who do not opt in no longer will receive a complimentary subscription to the loose-leaf *Manual* as of January 2009. (The new opt-in format will not affect paid subscriptions to the loose-leaf *Manual*.)

Questions concerning this *Notice* should be directed to FINRA Corporate Communications at corpcomm@finra.org.

September 15, 2008

Suggested Routing

- ▶ Executive Representative

Key Topics

- ▶ FINRA Manual

Disciplinary and Other FINRA Actions

Firm Fined, Individual Sanctioned

Stonegate Partners, LLC (CRD #43034, Wakefield, Massachusetts) and Brian Westbrook Bernier (CRD #1298285, Registered Principal, Essex, Massachusetts) were fined \$25,000, jointly and severally. The firm was fined an additional \$10,000, and Bernier was suspended from association with any FINRA member in any principal capacity for one year and required to requalify by exam as a general securities principal before functioning in any principal capacity. The sanctions were based on findings that the firm, acting through Bernier, submitted false and misleading information to FINRA, in that it provided what was purported to be its AML compliance procedures for the years of 2003 and 2004, when in fact the firm had no such procedures in place during that time. The findings stated that the firm, acting through Bernier, failed to establish, maintain and enforce an adequate supervisory system and written supervisory procedures designed to ensure that the firm's representatives obtained sufficient suitability information from each customer before making a recommendation, and failed to preserve written reports of annual internal inspections detecting and preventing violations of, and achieving compliance with, applicable securities rules, regulations and NASD Rules. The findings also stated that the firm failed to develop and implement a written AML program in a timely manner.

The suspension in any principal capacity is in effect from July 7, 2008, through July 6, 2009. (FINRA Case #E112005002003)

Firms and Individuals Fined

Argosy Capital Securities, Inc. (CRD #44885, Alpharetta, Georgia) and John Hartridge Banzhaf Sr. (CRD #2679579, Registered Principal, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Banzhaf were censured and fined \$10,000, jointly and severally. The firm was fined an additional \$10,000. Without admitting or denying the findings, the firm and Banzhaf consented to the described sanctions and to the entry of findings that the firm failed to properly preserve business-related emails and to establish, maintain and enforce adequate written supervisory procedures relating to the preservation and review of the emails. The findings stated that the firm, acting through Banzhaf, had deficient written AML and customer identification procedures, failed to timely obtain recertifications from two foreign banks

Reported for September 2008

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

that they were not being used to indirectly provide banking services to any foreign shell banks, failed to follow the proper procedures for filing SARs, and failed to notify its correspondent account holders that correspondent accounts may not be used to provide certain foreign banks access to the firm. (FINRA Case #2007007136801)

Tejas Securities Group, Inc. (CRD #36705, Austin, Texas) and Michael Lee Cuckler (CRD #2139887, Registered Principal, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Cuckler were censured and fined \$175,000, of which \$15,000 was jointly and severally with Cuckler. The firm was also required to hire an independent consultant to review the adequacy of its supervisory systems and procedures (written and otherwise) and training relating to all aspects of its securities business, including but not limited to research reports, and adopt and implement the consultant's recommendations. Without admitting or denying the findings, the firm and Cuckler consented to the described sanctions and to the entry of findings that the firm, acting through Cuckler, failed to disclose in research reports that the research analyst had a financial interest in the securities of the subject company and the nature of the financial interest, and failed to disclose in a research report that the firm and/or its officers had a financial interest in the subject company's securities. The findings stated that the firm, acting through Cuckler, failed to disclose the risks that might impede achievement of the stated price target in research reports, and failed to disclose in one research report that the firm had managed or co-managed a public offering of securities for the subject company in the past 12 months. The findings also stated that the firm, acting through Cuckler, permitted a research analyst account to purchase a security issued by a company that the research analyst had followed less than 30 days before the publication of a research report concerning the company, and permitted a research analyst account to sell a security in a manner inconsistent with his recommendation as reflected in the firm's most recently published research report. The findings also included that the firm, acting through Cuckler, failed to establish, maintain and/or enforce adequate supervisory systems and procedures regarding supervisory review and approval of research reports and personal trading activity by research analysts, and to ensure that required disclosures were made in research reports as required by the Securities and Exchange Commission (SEC) and FINRA. FINRA found that the firm, acting through Cuckler, failed to establish, maintain and/or enforce adequate supervisory systems and procedures ensuring order tickets were marked with all required information, regarding reviewing and documenting reviews of electronic correspondence, and regarding supervisory review and approval of private investment in public equity (PIPE) transactions. FINRA also found that the firm, acting through Cuckler, had inadequate written supervisory procedures regarding the prevention and detection of potential insider trading, and failed to ensure that a representative, who disclosed on an annual compliance audit that he was engaging in undisclosed private securities transactions, was properly supervised. In addition, FINRA determined that the firm, acting through Cuckler, permitted individuals who did not hold the requisite securities licenses to author research reports and to act as supervisory analysts. Moreover, the firm failed to disclose the distribution of its ratings in an equity research report, failed to cover the entire period that the firm had assigned a rating to the subject company in the price chart contained in one research report, and failed to ensure that research reports contained the analyst certifications that SEC Regulation AC required. In addition, FINRA determined that the firm failed to adequately

investigate “red flags” indicating possible suspicious activity in a group of related customer accounts, and failed to enforce its AML procedures regarding suspicious account activity reviews and investigations of customer backgrounds. FINRA found that the firm failed to reflect all required information on order tickets for equity securities transactions, and failed to obtain information regarding certain PIPE customers’ financial status, investment objectives and tax status. **(FINRA Case #2006003679802)**

Firms Fined

A.G. Edwards & Sons, Inc. (CRD #4, 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 failed to disclose its status as a financial advisor for an issuer of municipal securities to public customers who purchased the issuer’s municipal securities. The findings stated that the firm began serving as a financial advisor for a municipal securities issuer and later served as an underwriter in some of the issuer’s underwritings. The firm resigned as a financial advisor for the issuer with respect to the underwritings before the underwritings commenced, but continued as a financial advisor for the issuer with respect to other matters. The firm failed to disclose its status as a financial advisor for the issuer to public customers who purchased securities in these underwritings, in violation of MSRB Rule G-23(h). The firm also failed to have a reasonable supervisory system to monitor its compliance with the disclosure requirements of MSRB Rule G-23(h). **(FINRA Case #20070071169-01)**

Alerus Securities Corporation (CRD #35947, Grand Forks, North Dakota) 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 failed to maintain a Special Reserve Account for the Exclusive Benefit of Customers. The findings stated that the firm was operating under an SEC exemption whereby it agreed to not hold customer funds and securities. The firm failed to comply with the exemption requirements by holding customer funds in a bank account that was not a Special Reserve Bank Account for the Exclusive Benefit of Customers. The firm also failed to create a transaction blotter for checks received from public customers who purchased or sold shares of cooperatives and limited liability companies through the firm’s alternative trading system. The findings also included that the firm’s general ledger and trial balance were inaccurate because the firm failed to reflect the cash balance of the bank account holding customer funds. **(FINRA Case #2007007117401)**

Alton Securities Group, Inc. (CRD #39639, Alton, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$11,200. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to adequately assess the existence of available breakpoint discounts for mutual fund transactions and, therefore, did not provide discounts for transactions effected during the period of October 24, 2005, through August 19, 2007. The findings also stated that the firm failed to have an adequate supervisory system in place to ensure that customers receive the benefit of all applicable breakpoint discounts for mutual fund transactions. **(FINRA Case #2007007325201)**

The Benchmark Company, LLC (CRD #22982, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$32,000 and required to revise its supervisory system for the supervision of trading and market making activity. 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 NASDAQ Market Center (NMC) last sale reports of transactions in designated securities and OTC equity securities, failed to report to the NMC the second leg of “riskless” principal transactions in designated securities and OTC equity securities, and incorrectly reported to the NMC the second leg of “riskless” principal transactions in designated and NASDAQ SmallCap securities. The findings stated that the firm failed to report to the NMC the cancellation of trades that it previously submitted, incorrectly designated to the NMC last sale reports of transactions in designated securities as “.W” and failed to accept or decline transactions in reportable securities in the NMC within 20 minutes after execution. The findings also included that the firm failed to report to the NMC the correct symbol indicating whether it executed transactions in a principal or agency capacity; failed to report to the NMC the correct symbol indicating whether a transaction was buy, sell, sell short, sell short exempt or cross for one transaction; and failed to report the execution time in one last sale report of a designated security transaction through the NMC.

FINRA found that the firm incorrectly designated last sale reports of transactions in OTC equity securities as “.W” or as “.SLD” to the NMC. FINRA also found that the firm transmitted reports to the Order Audit Trail System (OATS) that contained inaccurate, incomplete or improperly formatted data; failed to show certain information on brokerage order memoranda and/or purchases and sales; and failed to provide written notification disclosing to its customers its correct capacity in transactions. In addition, FINRA determined that the firm failed to establish and maintain a system to supervise registered traders’ activities reasonably designed to achieve compliance with applicable federal securities laws and NASD Rules, in that the firm’s books and records structure affected its ability to reasonably rely on BRASS reports for the supervision of trading and market making activity. (FINRA Case #20060041047-01)

Charles Schwab & Co., Inc. (CRD #5393, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$38,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold municipal securities that contained mandatory redemption features (sinking funds) to retail clients and provided them with transaction confirmations that disclosed the bonds as “non-callable.” The findings stated that the confirmations should have disclosed to the customers that while the bonds were technically considered “non-callable,” the bond issuers could begin calling these bonds from customers in controlled numbers a few years before the bonds’ maturity dates. (FINRA Case #2006005834901)

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 \$650,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it permitted foreign-based research analysts associated with the firm to publish research without first obtaining required Series 86

and 87 qualifications or an exemption. The findings stated that the firm applied for and obtained a one-year grace period for each of its research analysts, including its non-U.S. research analysts, to take and pass the Series 86 and 87 examinations; however, the firm did not have its associated non-U.S. research analysts, with the exception of those residing in Mexico, take the examinations. The findings stated that the firm did not satisfy the conditions for a limited safe harbor in seven foreign jurisdictions because it failed to comply with disclosure requirements, yet permitted associated analysts in these jurisdictions to continue to publish research. (FINRA Case #2005002206101)

Credit Suisse Securities (USA) LLC (CRD #816, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$92,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it knew, or had reasonable grounds to believe, that the sale of an equity security was or would be effected pursuant to an order marked long, and failed to deliver the security on the date delivery was due. The findings stated that the firm had fail-to-deliver positions at a registered clearing agency in threshold securities for 13 consecutive settlement days and failed to immediately thereafter close out the fail-to-deliver positions by purchasing securities of like kind and quantity. The findings also stated that the firm reported execution reports to OATS that contained inaccurate, incomplete or improperly formatted data, and as a result, the OATS system was unable to link the execution reports to the related trade reports in a FINRA trade reporting system. The findings also included that the firm transmitted reports to OATS that contained inaccurate capacity designations and failed to include special handling instructions. FINRA found that the firm failed to submit to the NASD/NASDAQ Trade Reporting Facility (TRF), for the offsetting, “riskless” portion of “riskless” principal transactions in designated securities, either a clearing-only report with a capacity indicator of “riskless principal” or a non-tape, non-clearing report with a capacity indicator of “riskless principal.” FINRA also found that the firm failed to report last sale reports of transactions in designated securities to the TRF, failed to provide written notification disclosing to its customers its correct capacity in transactions, provided written notification disclosing a compensation type inconsistent with the capacity in which the firm executed the transaction, and failed to disclose that a transaction was executed at an average price. In addition, FINRA determined that the firm failed, within 90 seconds after execution, to transmit last sale reports of transactions in OTC equity securities to the NMC, and failed to designate some of them as late. Moreover, the firm failed to accept or decline in the NMC, the TRF or the OTC Reporting Facility, transactions in reportable securities within 20 minutes after execution, and incorrectly designated to the NMC or TRF last sale reports of transactions in eligible or designated securities as “.SLD” or “.ST” when the reports should have been designated as “.PRP.” Furthermore, FINRA found that the firm double-reported last sale reports of transactions in designated securities to the TRF. Finally, the findings stated that the firm failed to report the correct contra-party’s identifier for transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securities to TRACE. FINRA found that the firm failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time, and failed to report the correct trade execution time for transactions in TRACE-eligible securities to TRACE. (FINRA Case #20050024896-01)

GFI Securities LLC (CRD #19982, 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 failed, within 90 seconds after execution, to transmit last sale reports of transactions in NASDAQ securities to the NMC. The findings stated that the firm failed to accept or decline transactions in reportable securities in the TRF and the OTC Reporting Facility within 20 minutes after execution that it had an obligation to accept or decline as the order entry firm (OEID). **(FINRA Case #20060055560-01)**

Lehman Brothers Inc., (CRD #7506, 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 published research reports with the names of research analysts appearing on the reports who did not have their research analyst registration and thus were not qualified. **(FINRA Case #2005002206301)**

Nordic Partners Inc. (CRD #44734, New York, New York) 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 permitted a person registered solely as a general securities principal who had not passed a qualification examination to supervise the conduct of the firm's research analyst, including approving research reports the analyst prepared and the firm issued. The findings stated that the firm failed to implement written supervisory procedures reasonably designed to achieve compliance with NASD Rules regarding the supervision of research activity, including the approval of research reports. The findings also stated that a senior officer of the firm failed to annually attest to FINRA that the firm had adopted and implemented the procedures. **(FINRA Case #2007007251501)**

NYFix Clearing Corporation (CRD #126588, New York, New York) 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 accurate trading information through the submission of electronic blue sheets in response to FINRA requests for information, in that the firm failed to include the short sale indicator for some electronic blue sheet records. 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 NASD Rules concerning the submission of electronic blue sheet data. **(FINRA Case #20050033127-02)**

The O.N. Equity Sales Company (CRD #2936, Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$70,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable securities laws, regulations and NASD Rules regarding variable annuities (VA) transactions. The findings stated that the firm's supervisory system was deficient, in that it did not ensure that principals approving VA exchanges or replacements had certain information relevant to review the suitability

determinations of registered representatives in all cases, resulting in many instances that principals approved VA exchanges and replacements without having information that might have been material to a suitability analysis, such as surrender changes, death benefits, contract costs and fees, and riders. The findings also stated that the firm permitted designated principals in its Offices of Supervisory Jurisdiction (OSJs) to self-approve their own sales of non-proprietary VAs to public customers. **(FINRA Case #EAF0401040001)**

Oppenheimer & Co. Inc. (CRD #249, New York, New York) 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 failed to establish, maintain and enforce a supervisory system, including written procedures, for its securities lending business and registered supervisor, reasonably designed to monitor its stock loan representatives' trading activities to prevent and detect fraudulent stock loan transactions. The findings stated that the firm delegated responsibility for the direct supervision of the securities lending department to an individual, and did not establish or maintain a system of independent supervisory review or follow-up to ensure that he was properly performing his supervisory responsibilities and properly exercising his supervisory authority. The findings also stated that the firm permitted an individual and another stock loan manager to negotiate stock loan transactions on the firm's behalf with no review or follow-up, contrary to its supervisory system. **(FINRA Case #2007011878301)**

Solaris Securities, Inc. (CRD #31998, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000, \$5,000 of which was jointly and severally with an individual. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, acting through an individual, it failed to properly designate a Limited Principal – Introducing Broker/Dealer Financial and Operations (FINOP) for six months. The findings stated that the firm filed its Financial and Operational Combined Uniform Single (FOCUS) reports late. The findings also stated that the firm conducted a securities business while its net capital was deficient, and maintained inaccurate books and records in connection with its net capital violations. The findings also included that the firm failed to compute a reserve computation and filed an inaccurate FOCUS report for that date. **(FINRA Case #2007010809101)**

Southwest Securities, Inc. (CRD #6220, Dallas, Texas) 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 failed to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act. The findings stated that the firm failed to timely address deficiencies noted in consecutive independent tests of its AML program. **(FINRA Case #2005002895501)**

Stanford Group Company (CRD #39285, Houston, Texas) 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 customer transactions in

municipal securities within 15 minutes after execution. The findings stated that the firm failed to show the correct execution time to the Real-time Transaction Reporting System (RTRS) for customer transactions in municipal securities, and reported “step out” transactions in municipal securities, or inter-dealer deliveries, to the RTRS that it was not required to report. The findings also stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD Rules concerning timely transaction reporting to the MSRB. (FINRA Case #20060058636-01)

Tradition Asiel Securities Inc. (CRD #28269, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$65,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that by failing to adopt, implement and enforce certain of its written supervisory procedures relating to its research analysts, it failed to detect and prevent violations. The findings stated that the firm permitted a research analyst to execute purchase or sales of securities issued by companies that were followed in a research report in his personal account, during a period beginning 30 calendar days before and ending five calendar days after the publication of the report. The findings stated that the firm permitted its research analyst to issue research reports in which the analyst failed to disclose that he held securities of the companies the report covered. The findings also stated that the firm permitted its research analyst to issue research reports without adequately defining the meaning of each rating used in the report. (FINRA Case #2008013615401)

Tradition Asiel Securities, Inc. (CRD #28269, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$67,500 and required to revise its written supervisory procedures regarding registration of employees, qualification of supervisory personnel, frontrunning, correct usage of multiple market participant identifiers (MPIDs), best execution, trade reporting, SEC Rule 202, and soft dollar accounts and transactions. 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 NMC the correct symbol indicating whether transactions were buy, sell, sell short, sell short exempt or cross for transactions in reportable securities and the correct symbol indicating whether the firm executed transactions in reportable securities in a principal or agency capacity. The findings stated that the firm failed to report to the NMC last sale reports of transactions in designated and eligible securities and the correct price of transactions in last sale reports of transactions in designated and eligible securities. The findings also stated that the firm incorrectly reported to the NMC the second leg of “riskless” principal transactions in OTC equity securities by incorrectly designating the capacity of the transactions as “principal.” The findings also included that the firm failed to provide written notification disclosing to its customers that transactions were executed at an average price, and when it acted as a non-market maker principal for its own account, the firm failed to provide written notification disclosing to its customers the difference between the transaction price to the customer and the firm’s contemporaneous cost related to the transaction. FINRA found that the firm failed to show the entry time and the correct execution price on brokerage order memoranda. FINRA also found 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,

customer confirmations and customer account statements. In addition, FINRA determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD Rules addressing registration of employees, qualification of supervisory personnel, frontrunning customer orders in Consolidated Quotations Services (CQS) securities, correct usage of MPIDs, best execution, trade reporting, SEC Rule 202, and soft dollar accounts and transactions. Furthermore, FINRA found that the firm failed to enforce its written supervisory procedures by failing to document and maintain evidence of supervisory reviews related to registration of employees, qualifications of supervisory personnel, disclosure of order routing and order execution information, marking of order tickets long, short or short exempt, locating securities being sold prior to execution, trading or quoting during a trading halt, and OATS, including clock synchronization and the accuracy and timeliness of data submitted to OATS. The findings also included that the firm failed to report to the TRF the correct symbol indicating whether transactions were buy, sell, sell short, sell short exempt or cross for transactions in reportable securities, and indicating whether it executed transactions in a principal or agency capacity to the TRF; and failed to submit to the TRF, for the offsetting "riskless" portion of "riskless" principal transactions in designated securities, either a clearing-only report with a capacity indicator of "riskless principal" or a non-tape, non-clearing report with a "riskless principal" capacity indicator. FINRA found that when the firm acted as principal for its own account, it failed to provide written notification disclosing to its customers that it was a market maker and failed to disclose its correct capacity in transactions; failed to show the correct execution time on brokerage order memoranda; failed to enforce its written supervisory procedures by failing to document and maintain evidence of supervisory reviews of best execution and trade reporting. In addition, FINRA found that the firm incorrectly designated as ".SLD" to the NMC last sale reports of eligible securities transactions reported to the NMC within 90 seconds of execution, and failed to accept or decline in the OTC Reporting Facility or the TRF transactions in reportable securities within 20 minutes after execution that it had an obligation to accept or decline as the OEID. **(FINRA Case #20050035611-01)**

Tullett Liberty Securities LLC (CRD #28196, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$125,000 and required to revise its written supervisory procedures regarding transaction reporting, publication of quotations for non-exchange-listed securities, OATS, TRACE reporting, and compliance with SEC Rules 10a-1, 200(g), 203(b)(1) and NASD Rule 3350. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit last sale reports of transactions in eligible securities to the Automated Confirmation Transaction Service (ACT), failed to designate some of them as late, and failed to report the correct execution time to ACT in some late, last sale reports. The findings stated that the firm failed to accept or decline transactions in reportable securities in the NMC within 20 minutes after execution that the firm had an obligation to accept or decline as the OEID. The findings also stated that the firm published quotations for non-exchange-listed securities where it did not have in its records the documentation SEC Rule 15c2-11(a) required, and the quotations did not represent a customer's indication of unsolicited interest. The findings also included that for each quotation,

the firm failed to file a Form 211 with NASD (nka FINRA) at least three business days before the firm's quotations were published or displayed in a quotation medium. FINRA found that the firm failed to submit required information to OATS and failed to report to the NMC the correct symbol indicating whether transactions were buy, sell, sell short, sell short exempt or cross for transactions in reportable securities. FINRA also found that the firm failed to report transactions in TRACE-eligible securities executed on a business day during TRACE system hours to TRACE within 15 minutes of the execution time, double reported transactions in TRACE-eligible securities to TRACE, failed to report the correct trade execution time for transactions in TRACE-eligible securities to TRACE, and failed to show the correct execution time on brokerage order memoranda. In addition, FINRA determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD Rules concerning transaction reporting, publication of quotations for non-exchange-listed securities, OATS, TRACE reporting, and compliance with SEC Rules 10a-1, 200(g), 203(b)(1) and NASD Rule 3350. **(FINRA Case #20050004977-01)**

Wells Fargo Investments, LLC (CRD #10582, San Francisco, California) 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 because its AML program impermissibly allocated the detection and reporting of suspicious activity with respect to introduced customer accounts to the introducing correspondent firm, the program was not reasonably designed to detect and cause the reporting of suspicious activity in the customer accounts. The findings stated that the firm provided reports to the correspondents to facilitate their monitoring of account activity, but its written AML program did not include policies and procedures for independent monitoring of such activity. **(FINRA Case #2007007306901)**

Individuals Barred or Suspended

Robert Jon Ackerman (CRD #2256140, Registered Representative, Ronkonkoma, New York) 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. The fine must be paid either immediately upon Ackerman'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, Ackerman consented to the described sanctions and to the entry of findings that he misrepresented and/or omitted material information about corporate bonds to a public customer, in that he informed the customer that the interest rate of the bonds was based on the Consumer Price Index (CPI) plus additional interest, but did not tell the customer that the interest rate was based on the rate of change in the CPI, not the value of the CPI itself, and that the minimum interest rate could be zero.

The suspension in any capacity is in effect from August 18, 2008, through October 1, 2008. **(FINRA Case #2007007832101)**

Billy D. Blanton (CRD #5415733, Associated Person, Amarillo, Texas) 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, Blanton consented to the described sanction and to the entry of findings that he failed to disclose a material fact on his Uniform Application for Securities Industry Registration or Transfer (Form U4). The findings stated that Blanton failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007010631201)**

Charles Lewis Bloom (CRD #4144108, Registered Principal, Wellington, Florida) 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, Bloom consented to the described sanctions and to the entry of findings that without his member firm's knowledge or approval, he made multiple payments totaling \$33,000 to a public customer in order to settle a potential claim by the customer.

The suspension in any capacity is in effect from August 18, 2008, through September 15, 2008. **(FINRA Case #2006007507001)**

Clay Eugene Cannon (CRD #3028013, Registered Representative, Atlanta, Georgia) 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 Cannon'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, Cannon consented to the described sanctions and to the entry of findings that he signed public customers' names to new account documentation without the customers' knowledge or consent. The findings stated that the customers authorized the opening of the account, but did not give Cannon authorization to sign the new account documents on their behalf, nor did they want their dividends reinvested as Cannon had selected on the new account documents. Cannon did not receive any compensation in connection with the account opening, and subsequently, the customers' signed the new account document.

The suspension in any capacity is in effect from August 4, 2008, through November 3, 2008. **(FINRA Case #2007010632901)**

Angelo Cappelli (CRD #2662154, Registered Principal, St. Petersburg, Florida) 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, Cappelli consented to the described sanction and to the entry of findings that he converted \$110,500 of a bank customer's estate and subsequently used \$75,000 for his personal use. The findings stated that Cappelli forged another bank employee's signature on bank debit tickets and then approved the tickets in his capacity as trust officer in order to withdraw the funds from the customer's accounts. **(FINRA Case #2007009723301)**

David Lee Christner (CRD #2308732, Registered Principal, Berlin, Ohio) 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, Christner consented to the described sanction and to the entry of findings that he borrowed \$7,500 from a public customer in violation of his member firm's written procedures prohibiting its registered representatives from borrowing money from customers. The findings further stated that Christner declined FINRA's requests to appear for an on-the-record interview. **(FINRA Case #2007010254101)**

Christopher Anthony Corso Sr. (CRD #2414943, Registered Principal, Garland, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Corso willfully failed to disclose material information on his Form U4 and failed to appear for a FINRA on-the-record interview. The findings stated that Corso held an interest in an account over which he exercised discretionary authority at a FINRA member firm and failed to notify that firm of his association with his member firm. **(FINRA Case #2006003673302)**

Susana Maria de la Puente (CRD #2646925, Registered Representative, New York, New York) 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 60 days. Without admitting or denying the findings, de la Puente consented to the described sanctions and to the entry of findings that she had a beneficial interest in family-held securities accounts that held securities which were managed by a local broker under a discretionary agreement. The findings stated that de la Puente neither informed her member firm of the existence of the accounts, nor did she pre-clear trades in the accounts or provide her firm with trade confirmations for executed transactions in these accounts. The findings also stated that de la Puente worked on firm investment banking engagements involving the issuers of securities simultaneously held and/or traded in one of the outside, undisclosed accounts.

The suspension in any capacity is in effect from July 21, 2008, through September 18, 2008. **(FINRA Case #2007009466801)**

Dwight D'Angelo Deneal Jr. (CRD #5415677, Associated Person, Charlotte, 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, Deneal consented to the described sanction and to the entry of findings that he submitted an altered Series 7 examination score report to his member firm and made a false representation that he had passed the examination when in fact he had failed. **(FINRA Case #2008012510101)**

Rebecca Lynn Engle (CRD #1241419, Registered Representative, Green Valley, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Engle consented to the described sanction and to the entry of findings that she made unsuitable recommendations to public customers when she recommended investment in various private securities offerings without having reasonable grounds

for believing that such transactions were suitable for the customers, in view of their financial situation, investment objectives and financial needs. The findings stated that to induce the purchase of the securities, Engle engaged in manipulative, deceptive or otherwise fraudulent devices when she failed to disclose material facts that demonstrated the risks and true financial condition of the securities offerings to her customers. **(FINRA Case #2006004949202)**

Charles Howard Evans (CRD #835819, Registered Representative, Cygnet, Ohio) 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 Evans' 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, Evans consented to the described sanctions and to the entry of findings that he forged the signature of a deceased public customer's heir on Affidavits of Domicile to transfer the deceased's assets to the heir, without the heir's knowledge or consent. The findings stated that Evans falsified the notarizations on the affidavits and submitted them to his member firm for processing.

The suspension in any capacity is in effect from August 18, 2008, through August 17, 2009. **(FINRA Case #2006006801301)**

Jonathan Fenton (CRD #2781807, Registered Principal, Las Vegas, Nevada) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. In light of Fenton's financial status, a \$5,000 fine has been imposed. Without admitting or denying the allegations, Fenton consented to the described sanctions and to the entry of findings that he recommended and effected the purchase of limited partnership interests in hedge funds by public customers without reasonable grounds for believing that the recommendations were suitable for the customers.

The suspension in any capacity is in effect from August 18, 2008, through October 17, 2008. **(FINRA Case #E052005000702)**

Silvia Garza Garcia (CRD #5100873, Registered Representative, Houston, Texas) 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 two months. The fine must be paid either immediately upon Garcia'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, Garcia consented to the described sanctions and to the entry of findings that she forged public customers' signatures on updated 403(b) Salary Reduction Agreements intended to purchase tax sheltered annuities without the customers' knowledge or authorization, and submitted the forms to her member firm for processing.

The suspension in any capacity is in effect from August 4, 2008, through October 3, 2008. **(FINRA Case #2007010837401)**

Stephen Ira Golden (CRD #224150, Registered Principal, Livingston, New Jersey) and Richard Francis Kresge (CRD #729077, Registered Principal, Bayshore, New York) were barred from association with any FINRA member in any supervisory capacity. In addition, Golden was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. Kresge was fined \$50,000, suspended from association with any FINRA member in any capacity for two years and required to requalify by exam in any capacity. Kresge's fine will be due and payable at such time as he seeks to return to the securities industry. The sanctions were based on findings that Kresge participated in a fraudulent trading scheme involving directed, prearranged, circular, non-*bona fide* wash purchases and sales of unrated, zero-coupon, non-investment grade municipal bonds by which the bonds were parked repeatedly by a municipal securities trader and the price of the bonds was steadily and artificially increased. The findings stated that Golden and Kresge aided and abetted the fraudulent scheme to park and to manipulate the price of the bonds.

Golden's suspension in any capacity is in effect from July 21, 2008, through January 20, 2009. Kresge's suspension in any capacity is in effect from July 21, 2008, through July 20, 2010. (FINRA Case #2005000323905)

Christopher Michael Hannan (CRD #2318959, Registered Representative, Danville, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$30,000 and suspended from association with any FINRA member in any capacity for two and a half months (10 weeks). The fine must be paid either immediately upon Hannan'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, Hannan consented to the described sanctions and to the entry of findings that he knowingly and intentionally engaged in trading activity that stabilized or decreased the price of a stock to facilitate a customer's buy order. The findings stated that Hannan entered non-*bona fide* sell orders that were the largest displayed in the stock throughout the trading day, representing greater than the average daily volume as of the trading day; these trades were reported to the National Securities Exchange. The findings also stated that in addition to buy orders placed for the customer, Hannan entered non-*bona fide* buy orders of the same or similar size as the non-*bona fide* sell orders. The findings also included that these non-*bona fide* buy orders wholly or partially executed against the non-*bona fide* sell orders and when the non-*bona fide* buy orders did not wholly execute against the non-*bona fide* sell orders, Hannan entered cancellations for the remaining shares of the non-*bona fide* sell order. FINRA found that as a result of the non-*bona fide* sell and buy orders executed against each other, Hannan created a false appearance of sell side activity that caused the stock's price to stabilize or decrease during the trading day, allowing him to accumulate shares through additional executions to fill the customer buy order throughout the trading day at prices lower than would have been available absent the artificially created downward price pressure resulting from the entry of non-*bona fide* orders.

The suspension in any capacity is in effect from August 4, 2008, through October 12, 2008. (FINRA Case #20050034122-01)

Edward Durkin Helms (CRD #1697404, Registered Representative, Roseville, 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. In light of Helms' financial status, a \$5,000 fine was imposed. Without admitting or denying the findings, Helms consented to the described sanctions and to the entry of findings that he borrowed \$134,773.22 from a public customer, even though his member firm did not have written procedures allowing representatives to borrow money from, or lend money to, customers. The findings stated that the loans did not fall within the enumerated categories of permissible loans set forth in NASD Rule 2370.

The suspension in any capacity is in effect from August 18, 2008, through September 16, 2008. (FINRA Case #2006007232101)

James Soo Jang (CRD #4048160, Registered Representative, Cerritos, 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 three months. The fine must be paid either immediately upon Jang'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, Jang consented to the described sanctions and to the entry of findings that he engaged in outside business activities by referring individuals to a mortgage lender for which he received \$900. The findings stated that Jang failed to provide his member firm with prompt written notification of the referral activity and provided his firm with a written statement in which he falsely stated that he did not receive any money from the mortgage lender.

The suspension in any capacity is in effect from August 18, 2008, through November 17, 2008. (FINRA Case #20070091180-02)

Cathy Ann Katzenberger (CRD #1141929, Registered Representative, Omaha, Nebraska) 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 two months. The fine must be paid either immediately upon Katzenberger'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, Katzenberger consented to the described sanctions and to the entry of findings that she participated in outside business activities for compensation without providing written notice to her member firm.

The suspension in any capacity is in effect from August 4, 2008, through October 3, 2008. (FINRA Case #20070084123-01)

Topang Kong (CRD #4633803, Registered Representative, New York, New York) 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 six months. The fine must be paid either immediately upon Kong'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, Kong consented to the described sanctions and to the entry of findings that he transferred firm models that contained confidential and

proprietary information to his personal email account then, on at least two occasions, to a former firm colleague employed in a similar capacity at another member firm. The findings stated that the confidential firm material included Commercial Mortgage-Backed Securities models, deal documents, deal blotters, vendor passwords, login information and other deal-related information.

The suspension in any capacity is in effect from August 4, 2008, through February 3, 2009. (FINRA Case #2007009423401)

William Hull Kost Jr. (CRD #1940023, Registered Supervisor, Arlington, Virginia) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Kost failed to respond to a FINRA request for information. (FINRA Case #2007009356501)

Michael Francis Latof Jr. (CRD #1266923, Registered Representative, Rockport, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for four months. In light of Latof's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Latof consented to the described sanction and to the entry of findings that he recommended an elderly customer surrender her deferred variable annuity contract and use the proceeds to purchase another deferred variable annuity contract without having reasonable grounds for believing the recommendation was suitable based upon the customer's investment objectives, financial situation and needs.

The suspension in any capacity is in effect from August 4, 2008, through December 3, 2008. (FINRA Case #2006006768801)

Lee Dinh Lauderdale (CRD #2867313, Registered Representative, Phoenix, 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 one year and 30 days. The fine must be paid either immediately upon Lauderdale'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, Lauderdale consented to the described sanctions and to the entry of findings that he sent an email to a registered representative with another FINRA member firm containing non-public customer information. The findings stated that Lauderdale violated SEC Regulation S-P because he disclosed the information without giving the customers the opportunity to opt out of the disclosure. The findings stated that Lauderdale failed to respond fully in writing to FINRA requests for information.

The suspension in any capacity is in effect from August 4, 2008, through September 2, 2009. (FINRA Case #2006006256301)

Juhn Ki Lee (CRD #4926368, Registered Representative, Seoul, Korea) 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 Lee'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, Lee consented to the described sanctions and to the entry of findings that he engaged in outside business activities without prompt written notice to his member firm.

The suspension in any capacity is in effect from August 18, 2008, through August 17, 2009. (FINRA Case #2007009084701)

Peter Michael Lemoine Sr. (CRD #2080108, Registered Representative, Cottonport, Louisiana) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lemoine failed to respond to FINRA requests for information. The findings stated that Lemoine borrowed \$26,000 from a public customer contrary to his member firm's policy that prohibited borrowing money from customers. (FINRA Case #2006006227901)

Noel D. Martin (CRD #3178437, Registered Representative, Lexington, Kentucky) 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 90 days. The fine must be paid either immediately upon Martin'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, Martin consented to the described sanctions and to the entry of findings that he engaged in outside business activities for compensation and failed to provide prompt written notice to his member firm.

The suspension in any capacity is in effect from August 4, 2008, through November 1, 2008. (FINRA Case #2007009235201)

Kevin Lee Mathis (CRD #2858756, Registered Principal, San Antonio, Texas) 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, Mathis consented to the described sanction and to the entry of findings that he misappropriated more than \$60,000 from a deceased public customer's account. The findings stated that Mathis converted customer funds to his own use by submitting false check requests and depositing the proceeds into his own bank account. The findings also stated that Mathis made unauthorized trades in the deceased customer's account. The findings also included that Mathis obtained a debit card in the customer's name, which was used to withdraw cash from the customer's account and to charge personal expenses. FINRA found that Mathis failed to respond to FINRA requests to provide testimony. (FINRA Case #2007008650301)

Jeanne Marie McCarthy (CRD #1379712, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in a FINOP capacity for 10 business days. The fine must be paid either immediately upon McCarthy'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, McCarthy consented to the described sanctions and to the entry of findings that her firm conducted a securities business, utilizing the means and instrumentalities of interstate commerce, while failing to maintain its minimum net capital.

The suspension in a FINOP capacity was in effect from August 4, 2008, through August 15, 2008. (FINRA Case #2007007310401)

Rose Pauline Morandini (CRD #1450305, Registered Representative, Shelby Township, Michigan) submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Morandini consented to the described sanction and to the entry of findings that, acting with scienter, she directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business that operated, or would operate, as a fraud or deceit upon purchasers or prospective purchasers and effected transactions in, or induced the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance. The findings stated that Morandini engaged in private securities transactions without prior written notice to, and written approval from, her member firm. The findings also stated that Morandini failed to respond fully to FINRA requests for documents and information. The findings also included that Morandini failed to cooperate with her firm's inquiry regarding her activities. (FINRA Case #2006005483401)

Jeffrey Earl Neace (CRD #2362520, Registered Representative, Waynesville, Ohio) 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, Neace consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information, documents and to provide testimony. (FINRA Case #2007009434901)

Starrla Ramae Norman (CRD #2605360, Registered Representative, Dexter, Missouri) 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 Norman'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, Norman consented to the described sanctions and to the entry of findings that she engaged in outside business activities for compensation without written notification to her member firm.

The suspension in any capacity is in effect from August 18, 2008, through February 17, 2009. (FINRA Case #2007009216101)

Donald Harold Relyea (CRD #373980, Registered Principal, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 20 months. In light of Relyea's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Relyea consented to the described sanction and to the entry of findings that he participated in private securities transactions without prior written notice to his member firm. The findings stated that Relyea completed annual compliance

questionnaires and falsely represented that he was not engaged, and had not engaged, in any private securities transactions. The findings also stated that Relyea engaged in outside business activities for compensation, without prompt written notice to his member firm. The findings also included that Relyea completed an annual firm compliance questionnaire in which he falsely represented that he had not engaged in any outside business activity.

The suspension in any capacity is in effect from August 4, 2008, through April 3, 2010. **(FINRA Case #2007010657601)**

Lewis Allen Reynolds (CRD #4412704, Registered Principal, Jupiter, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$20,000 and suspended from association with any FINRA member in any principal or supervisory capacity for 30 business days. The fine must be paid either immediately upon Reynolds' 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, Reynolds consented to the described sanctions and to the entry of findings that he permitted individuals to act as general securities representatives while failing to have them registered and qualified in such capacity.

The suspension in any principal or supervisory capacity is in effect from August 4, 2008, through September 15, 2008. **(FINRA Case #2006007004701)**

Paul William Roles (CRD #2847856, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Roles falsified a public customer's new account documentation submitted to his member firms, causing the firms' books and records to be inaccurate. The findings stated that Roles made recommendations to a customer that were unsuitable in light of her financial situation, investment objectives and needs. The findings also stated that Roles engaged in excessive trading in the customer's account. **(FINRA Case #2005002151001)**

Charles Michael Ronson (CRD #1667081, Registered Principal, New York, New York) 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 15 business days and suspended from association with any FINRA member as a research analyst for 30 business days. Without admitting or denying the findings, Ronson consented to the described sanctions and to the entry of findings that he executed purchases and/or sales of securities issued by companies that were followed in his member firm's weekly research report in his personal securities account, during a period beginning 30 calendar days before and ending five calendar days after publication of the report. The findings stated that Ronson was solely responsible for writing, reviewing, approving and distributing the research reports, and issued reports in which he failed to disclose that he held securities of the companies the reports covered. The findings also stated that Ronson failed to adequately define the meaning of each rating used in the research reports and failed to further identify "the market."

The suspension in any capacity was in effect from August 4, 2008, through August 22, 2008, and the suspension as a research analyst is in effect from August 4, 2008, through September 15, 2008. **(FINRA Case #2007009451201)**

Mark Aderek Schultz (CRD #4814273, Registered Representative, Richardson, Texas) 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 Schultz' 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, Schultz consented to the described sanctions and to the entry of findings that he participated in private securities transactions without prior written notice to his member firm.

The suspension in any capacity is in effect from August 4, 2008, through December 3, 2008. **(FINRA Case #2007009054501)**

Jason Lee Seale III (CRD #1874548, Registered Representative, Novato, 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 10 business days. Without admitting or denying the findings, Seale consented to the described sanctions and to the entry of findings that he sent letters and pieces of sales literature to public customers that had not been reviewed and approved by his member firm prior to being sent by Seale. The findings stated that the letters and sales literature contained misleading information, unbalanced statements, lacked required disclosures, projected investment returns and failed to provide information necessary to make a sound evaluation of the proposed investments.

The suspension in any capacity was in effect from August 18, 2008, through August 29, 2008. **(FINRA Case # 2006006101501)**

Shane Alexander Selewach (CRD #2936484, Registered Principal, Hyannis, Massachusetts) was barred from association with any FINRA member in any capacity and required to pay \$80,000, plus interest, in restitution to public customers. The sanctions were based on findings that Selewach misused the customers' funds by depositing \$71,000 intended for investment purposes into an account he controlled and used the funds for various personal expenses. The findings stated that Selewach borrowed \$158,500 from public customers, contrary to his member firm's written supervisory procedures prohibiting registered representatives from borrowing money from customers, other than immediate family members. **(FINRA Case #2006005005301)**

Gregory A. Smarr (CRD #4305025, Registered Principal, Atlanta, Georgia) 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 eight months. The fine must be paid either immediately upon Smarr'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, Smarr consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4. The findings stated that Smarr submitted multiple Forms U4 with incorrect information.

The suspension in any capacity is in effect from August 4, 2008, through April 3, 2009. (FINRA Case #2006006515301)

Sharon Ann Stanley (CRD #3235278, Registered Representative, Cape Girardeau, Missouri) 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 three months. The fine must be paid either immediately upon Stanley'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, Stanley consented to the described sanctions and to the entry of findings that she engaged in outside business activities for compensation without written notice to her member firm.

The suspension in any capacity is in effect from August 18, 2008, through November 17, 2008. (FINRA Case #20070092161-02)

Amy Lou Styer (CRD #2422127, Registered Representative, Birdsboro, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Styer consented to the described sanction and to the entry of findings that she engaged in an outside business activity, for compensation, without prompt written notice to her member firm. The findings stated that Styer failed to respond to a FINRA request to testify under oath. (FINRA Case #2007010641101)

Christopher Scott Swiecicki (CRD #5121489, Registered Representative, Chesterfield, Missouri) 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 Swiecicki'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, Swiecicki consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4. The willful failure to disclose material information on his Form U4 makes Swiecicki subject to an indefinite statutory disqualification with respect to association with a FINRA member.

The suspension in any capacity is in effect from July 21, 2008, through October 20, 2008. (FINRA Case #20070094403)

James Edward Tuckett (CRD #1002182, Registered Representative, Leawood, Kansas) 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 10 business days. The fine must be paid either immediately upon Tuckett'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, Tuckett consented to the described sanctions and to the entry of findings that he exercised discretion in public customer accounts without the customers' written authorization and his member firm's written acceptance of the accounts as discretionary.

The suspension in any capacity was in effect from August 18, 2008, through August 29, 2008. (FINRA Case #2007009429501)

Shane Michael Turner (CRD #4639366, Registered Representative, Boise, Idaho) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Turner received \$20,000 from a public customer to be placed in a real estate investment trust, but placed the funds in his personal firm account and used the funds to trade in various securities, thereby converting the funds to his own use. The findings stated that Turner failed to respond to FINRA requests for information. The findings also stated that Turner engaged in private securities transactions without prior notice to, and written approval or acknowledgement from, his member firm. The findings also included that Turner obtained \$60,000 from public customers to purchase an investment contract and falsely represented that he had purchased an annuity on their behalf, and provided the customers with a purported "welcome letter" and statement from an insurance company. FINRA found that Turner opened an account with a member firm and failed to disclose the account in writing to the member firm at which he was employed, nor did he notify, in writing, the firm holding his account, of his association with a member firm. (FINRA Case #2006005347401)

Stephen Mark Visser (CRD #3023343, Registered Principal, Naperville, Illinois) submitted an Offer of Settlement in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for one month and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Visser consented to the described sanctions and to the entry of findings that he received a stock certificate from a public customer, completed paperwork to open an account for the customer, failed to submit the account form with supporting documentation to his supervisory principal and, instead, affixed the principal's signature to the account application without the principal's knowledge or consent. The findings also stated that Visser failed to record his receipt of the stock certificate on his member firm's securities received and purchases/sales blotters, causing his firm to have inaccurate books and records.

The suspension in any capacity is in effect from August 18, 2008, through September 17, 2008. (FINRA Case #2006005261201)

Dennis John Voris (CRD #455800, Registered Representative, Hobart, Indiana) 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 Voris' financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Voris consented to the described sanction and to the entry of findings that he received loans from public customers in contravention of his member firm's written procedures prohibiting employees from borrowing money from, or lending money to, customers under any circumstances.

The suspension in any capacity was in effect from August 4, 2008, through September 2, 2008. (FINRA Case #2007008505801)

Benjamin Theodore Watts (CRD #1102629, Registered Representative, Union, Maine) 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, Watts consented to the described sanction and to the entry of findings that he borrowed \$30,000 from an elderly public customer without his member firm's approval. The firm did not have written procedures allowing registered representatives to borrow money from customers. The findings stated that Watts failed to repay the loan. (FINRA Case #2006006247601)

William Howard Webster (CRD #1086031, Registered Principal, Leawood, Kansas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000, suspended from association with any FINRA member in any principal capacity for two years and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Webster consented to the described sanctions and to the entry of findings that he completed and submitted examination reports to his member firm representing that he had conducted examinations of a non-branch office when, in fact, he had not conducted the examinations.

The suspension in any principal capacity is in effect from August 4, 2008, through August 3, 2010. The suspension in any capacity was in effect from August 4, 2008, through September 2, 2008. (FINRA Case #20060071978-01)

Michael Anthony White (CRD #1281593, Registered Representative, Texarkana, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$20,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, White consented to the described sanctions and to the entry of findings that he accepted loans totaling \$504,000 from public customers without his member firm's permission prior to accepting the loans, and did not subsequently disclose to his firm that he had accepted the loans. The findings stated that White completed annual compliance questionnaires in which he falsely represented to his firm that he had not borrowed money from, or loaned money to, any firm customers. The findings also stated that White engaged in outside business activities without providing written notice to his firm.

The suspension in any capacity is in effect from August 18, 2008, through August 17, 2009. (FINRA Case #2006003881701)

Decisions Issued

The Office of Hearing Officers (OHO) issued the following decisions, which have been appealed to or called for review by the NAC. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future *FINRA Notices*.

Jennifer Anne Jordan (CRD #2814586, Registered Representative, Portland, Oregon) was fined \$12,500. The sanction was based on findings that she failed to disclose material conflicts of interest in research reports she prepared and failed to disclose her financial interest in the securities of a company in one research report.

This decision has been appealed to the National Adjudicatory Council (NAC) and the sanction is not in effect pending consideration of the appeal. **(FINRA Case #2005001919501)**

Michael Lon Vines (CRD #2552188, Registered Principal, Charlotte, North Carolina) was fined \$10,000, suspended from association with any FINRA member in any capacity for 30 days, suspended from association with any FINRA member in a supervisory capacity for six months and ordered to attend classroom ethics training. The sanctions were based on findings that Vines participated in the falsification of records by approving the copying of public customer signatures onto Individual Retirement Account (IRA) Adoption Agreements, which caused his member firm to maintain false records.

This decision has been called for review by the NAC and the sanctions are not in effect pending consideration of the review. **(FINRA Case #2006005565401)**

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 these allegations in the complaint.

Ching Y. Aul (CRD #4608307, Registered Representative, San Gabriel, California) was named as a respondent in a FINRA complaint alleging that he falsified Letters of Authorization (LOAs) that requested that his member firm transfer funds from public customers' firm accounts to bank accounts of unregistered persons unknown to the customers, but known to Aul. The complaint alleges that each LOA bore the purported signature of the customer but were neither signed nor authorized by the account owner. The complaint also alleges that Aul's conduct caused his firm to transfer more than \$1.5 million from the accounts of the customers to the bank accounts of unregistered persons known to Aul. The complaint further alleges that the unregistered persons transferred the converted customer funds to Aul, who used the funds for personal expenses, including gambling debts. In addition, the complaint alleges that Aul failed to respond to FINRA requests for information. **(FINRA Case #2007009347901)**

Ronald Goldfine (CRD #2853925, Registered Representative, Brooklyn, New York) was named as a respondent in a FINRA complaint alleging that he recommended and effected securities transactions in a public customer's account, which included utilizing margin, that resulted in an undue concentration inconsistent with the customer's financial situation and needs, and without having reasonable grounds for believing that the transactions were suitable for the customer on the basis of the customer's financial situation and needs. The complaint alleges that Goldfine recommended and executed unsuitable excessive transactions in the customer's account in light of the customer's financial situation and needs. **(FINRA Case #2006004418901)**

William James Murphy (CRD #1437087, Registered Principal, Midlothian, Illinois) was named as a respondent in a FINRA complaint alleging that he exercised discretion in public customers' accounts without the customers' prior written authorization and his member firm's prior written acceptance of the accounts as discretionary. The complaint alleges that Murphy engaged in excessive and unsuitable trading in the customers' accounts in light of their financial situation and investment objectives. The complaint also alleges that Murphy acted with intent to defraud or with reckless disregard for the customers' best interest in order to generate commissions. The complaint further alleges that Murphy, by the use of means or instrumentalities of interstate commerce, or of the mails, employed devices, schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices or courses of business which operated, or would operate, as a fraud or deceit upon purchasers or prospective purchasers. In addition, the complaint alleges that Murphy recommended, effected and maintained uncovered options positions in a customer's account that were beyond the levels the customer authorized and his firm approved. The complaint also alleges that Murphy caused inaccurate, misleading or otherwise unbalanced communications, including reports and sales literature, to be created and distributed to a customer while he was excessively trading in the customer's options account. **(FINRA Case #2005003610701)**

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

Capital Growth Financial, LLC
Boca Raton, Florida
(July 11, 2008)

Firms Suspended Pursuant to NASD Rule 9554 for Failing to Pay Arbitration Awards

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

AFS Brokerage, Inc.
Austin, Texas
(July 18, 2008 – July 23, 2008)

Vision Securities Inc.
Melville, New York
(July 23, 2008)

Individuals Revoked for Failing to Pay Fines and/or Costs Pursuant to NASD Rule 8320

Glenn Edward Best
Dunedin, Florida
(July 11, 2008)

James Edward Hynes
Nesconset, New York
(July 11, 2008)

Philippe Noel Keyes
Valencia, California
(July 31, 2008)

Susan A. Mann
Victor, New York
(July 11, 2008)

Frank Giorgio Muia
Huntington, New York
(July 11, 2008)

Harvey Mitchell Schwartz
Miami, Florida
(July 15, 2008)

**Individuals Barred Pursuant to
NASD Rule 9552(h)**

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

Sean Christopher Brack

Normal, Illinois

(July 14, 2008)

Brent Allen Burke

Carson City, Nevada

(July 2, 2008)

Amil Duane Demrow

Fort Collins, Colorado

(July 21, 2008)

Thomas Denton Lillard

Germantown, Tennessee

(July 7, 2008)

Frank Rocco Rossi

Winthrop, Massachusetts

(July 1, 2008)

Victor L. Whang

Chesterfield, Michigan

(July 21, 2008)

**Individuals Suspended Pursuant to
NASD 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.)

Richard Steven Blumstein

Ft. Lauderdale, Florida

(July 7, 2008)

James Allen Boston

El Cajon, California

(July 24, 2008)

Carlton Canty

Detroit, Michigan

(July 3, 2008)

Clint Andrew Chick

Bend, Oregon

(July 14, 2008)

Alan David Weiner

Delray Beach, Florida

(July 17, 2008)

Matthew Bryan Wilson

St. Augustine, Florida

(July 7, 2008)

Individuals Suspended Pursuant to NASD Rule Series 9554 for Failure to Comply with an Arbitration Award or Settlement Agreement

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

Shawn Paul Arlauckas
Bricktown, New Jersey
(July 31, 2008)

Gregory Lexie Burden
Broken Arrow, Oklahoma
(July 18, 2008)

David A. Cowoski
Port Orange, Florida
(July 23, 2008)

Charles Dwain Davis Jr.
Dallas, Texas
(July 18, 2008)

Gary Patrick Duffy
Scottsdale, Arizona
(July 18, 2008)

Rebecca Lynn Engle
Green Valley, Arizona
(July 18, 2008)

William Dexter Evans
Columbia, South Carolina
(July 23, 2008)

Lawrence Joseph Ferrari
Upper Saddle River, New Jersey
(July 31, 2008)

Daniel Steven Gedatus
Stillwater, Minnesota
(July 23, 2008)

Terry Wayne Hamann
Austin, Texas
(July 18, 2008 – July 23, 2008)

James McNeil Hamrick
Houston, Texas
(July 23, 2008)

Damascus Isaiha Lee
Brooklyn, New York
(July 2, 2008)

Glenn James Meyer
Mount Sinai, New York
(July 23, 2008)

David Jaehoon Rhee
Scottsdale, Arizona
(July 18, 2008)

Andrew Christopher Skidmore
New York, New York
(July 2, 2008)

FINRA Sanctions Three Brokers for Sales of CMOs to Retail Investors

First Enforcement Action Arising from FINRA's Ongoing Investigations Into Abuses in Marketing and Sales of Mortgage-Backed Securities

FINRA Investigation into Activities at former SAMCO Financial Branch Office Continuing

The Financial Industry Regulatory Authority (FINRA) has barred two brokers from the Boca Raton branch office of the now defunct brokerage firm, SAMCO Financial Services, Inc.—and suspended a third broker for two years—for misconduct in connection with selling complex mortgage-backed securities called Collateralized Mortgage Obligations (CMOs) to retail customers.

Brokers Cindy Schwartz (CRD No. 4649760) and Brian Berkowicz (CRD No. 4787371) were permanently barred from the securities industry. Broker John Webberly (CRD No. 4537337) was suspended. No monetary sanctions were imposed against Webberly due to his demonstrated inability to pay.

“These are FINRA’s first enforcement actions arising from our ongoing investigations into abuses in the marketing and sales of mortgage-backed securities such as CMOs to retail customers,” said Susan Merrill, FINRA Executive Vice President and Chief of Enforcement. “Brokers and firms have an obligation to ensure that they recommend these securities only to those customers for whom they are a suitable investment—namely sophisticated investors with a high-risk profile. Webberly, Schwartz and Berkowicz failed to fulfill this obligation when they recommended ‘inverse floaters’ to retail customers with little or no investment experience. And they compounded this misconduct by permitting the head trader to exercise discretionary authority in the customers’ accounts to purchase CMOs.”

A CMO is a security that pools together mortgages and issues shares—called “tranches”—with various characteristics and risks. The underlying mortgages serve as the collateral for the CMO and provide principal and interest payments to shareholders.

One of the most volatile and risky CMO tranches is the “inverse floater CMO,” a thinly traded mortgage-backed security which is typically highly leveraged and vulnerable to a high degree of price volatility. Rising interest rates reduce the interest earned and also may decrease the principal payments to the investor. The reduction in the repayment of principal extends the maturity date, potentially for as much as 30 years. Furthermore, since each inverse floater is uniquely structured and thinly traded, prices used for valuation purposes are determined using theoretical pricing models. These prices are strictly best estimates of value and can vary substantially from prices obtained through actual bidding or market offerings. As a result, buying inverse floaters on margin further heightens the risk of investing in the product.

Since 1993, FINRA (formerly NASD) has published warnings that inverse floaters are suitable only for sophisticated investors willing to take on high levels of risk.

In its investigation of SAMCO Financial's Boca Raton branch, FINRA found that Webberly made unsuitable recommendations to four customers to buy these securities and that in making these unsuitable recommendations, he misrepresented or omitted material facts. FINRA further found that Schwartz and Berkowicz made unsuitable recommendations and misrepresented material facts in connection with sales to two and three of their customers, respectively. All three brokers allowed their supervisor, who was the head trader in SAMCO Financial's Boca Raton office, to improperly exercise discretionary authority to invest in inverse floaters in the accounts of these customers. Webberly's customers suffered realized losses of approximately \$250,000 from their investments, Schwartz's customers suffered losses of approximately \$95,000 and Berkowicz's customers lost approximately \$190,000.

The head trader of that branch office focused his business on purchasing large par amounts of inverse floaters and allocating the shares among the branch's retail customer accounts, utilizing margin borrowing to finance the customers' investments. Webberly, Schwartz, Berkowicz and the other brokers in the office solicited potential customers for the head trader's investment program.

FINRA found that Webberly and Schwartz failed to conduct any suitability analyses—and Berkowicz conducted inadequate suitability analyses—to ensure that inverse floaters were suitable for the customers' individual situations. At the time each broker opened accounts for customers, the brokers knew that the head trader would be exercising discretion in the accounts, yet none of the three brokers obtained written authorization signed by the customers and a firm principal to allow the brokers or anyone else at the firm to exercise discretion in the accounts. After customers opened accounts at the branch, the head trader exercised discretion in their accounts, purchasing inverse floaters for the customers and frequently utilizing margin in their accounts to do so. In some cases, through the head trader's exercise of discretion, those accounts borrowed as much as three times the amount the customers had initially deposited in their accounts.

FINRA's investigation found, for example, that Webberly recommended to two couples with no prior investment experience that they invest in inverse floaters, falsely claiming that inverse floaters could not lose their principal, that there was no risk in margin borrowing costs exceeding the income earned on the investment, and that the investment was risk free. Each couple invested \$50,000 in August 2005. Their deposits and margin borrowing of \$100,499.75 were used to purchase inverse floaters. Ten months later, in June 2006, their accounts each earned \$3,688.01 in interest, but paid \$6,848.96 for the funds borrowed on margin. At that time, the shares were sold to satisfy the customers' margin requirements. This resulted in a realized loss for each account of \$70,021.77, which exceeded their principal investment.

Similarly, both Berkowicz and Schwartz recommended CMO investments to investors with limited or no prior investment experience and made material misrepresentations about the characteristics of inverse floaters—in some cases describing CMOs as secured government bonds where an investor could not lose any money. Berkowicz and Schwartz also failed to discuss the potential risks of margin use with their customers. A decrease in the value of inverse floaters resulted in the issuance of margin calls and subsequent sales of their customers' CMO holdings—resulting in losses of

approximately \$190,000 for Berkowicz's three customers and \$95,000 for Schwartz's two customers.

In concluding these settlements, Webberly, Berkowicz, and Schwartz neither admitted nor denied the charges, but consented to the entry of FINRA's findings. In addition to his suspension, Webberly is being required to cooperate in FINRA's continued prosecution of matters arising from its investigation into SAMCO Financial's Boca Raton branch office.

FINRA Expels Barron Moore and Takes Disciplinary Actions Against Seven Individuals for Illegal Sales of Unregistered Penny Stocks

Two Individuals Barred, Others Fined and Suspended

The Financial Industry Regulatory Authority (FINRA) has expelled Barron Moore, Inc. of Dallas, TX, and taken disciplinary action against seven individuals for violations arising from the illegal sale of unregistered penny stocks. Those sanctions range from fines and suspensions to permanent bars from the securities industry.

The individuals include five registered representatives formerly associated with three different firms—Barron Moore, Midas Securities LLC of Anaheim, CA, and Milestone Group Management, which is no longer in business—and supervisors from Barron Moore and Milestone. One registered representative was barred for failing to provide documents and testimony in FINRA's investigation.

FINRA found that four of the registered representatives sold large quantities of unregistered stock into the public markets on behalf of customers, in violation of federal securities laws, specifically Section 5 of the Securities Act of 1933. Neither the representatives nor the supervisors took appropriate steps to determine whether the securities could be sold without violating the registration requirements of the federal securities laws. FINRA found that this conduct occurred despite the presence of numerous red flags indicating that illegal stock distributions might be taking place.

"Retail brokers are the first line of defense for the markets," said Susan L. Merrill, Executive Vice President and Chief of Enforcement. "Brokerage firms and their employees must take action to ensure that they are not participating in illegal sales of unregistered securities. In this case, the respondents failed to take appropriate action and illegally sold millions of shares of unregistered securities into the public marketplace."

FINRA found that Barron Moore sold more than 6.75 million shares of unregistered stock of three companies, on behalf of seven customers, resulting in unlawful proceeds of more than \$975,000. Barron Moore opened accounts for numerous customers who repeatedly deposited large numbers of unregistered shares of thinly traded securities into those accounts, sold those securities and then wired the proceeds out of the accounts. FINRA found that Katherine Moore, Barron Moore's president, chief executive officer and principal owner, failed to supervise the registered representatives who engaged in the misconduct and failed to ensure that Barron Moore had adequate supervisory procedures concerning the sale of unregistered securities.

Most of the illegal sales involved unregistered securities of one penny stock company, iStorage Networks, Inc. FINRA found that shortly after iStorage Networks engaged in a reverse merger with another company, three shareholders distributed millions of shares of the company's unregistered stock to scores of individuals and entities. Shortly thereafter, a number of the recipients deposited large amounts of the unregistered stock into accounts at Barron Moore and the other two firms and began selling those shares into the market. FINRA found that Barron Moore also engaged in illegal sales of unregistered stock of two other penny stock companies, Consolidated Sports Media Group, Inc. and Structures USA, Inc.

FINRA also found that Barron Moore and Katherine Moore failed to develop and implement a reasonable anti-money laundering compliance program, and failed to detect and report suspicious activities by a convicted money launderer as well as in accounts ostensibly controlled by a 20-year old who washed and detailed the cars of Barron Moore employees.

In addition, FINRA found that Barron Moore and Katherine Moore failed to maintain accurate books and records in connection with the investments of six customers investing in an offering of a company known as CyberZONE, Inc. Barron Moore also failed to maintain an accurate checks-received-and-forwarded blotter for the CyberZONE offering and failed to maintain adequate net capital.

In settling these charges, FINRA expelled Barron Moore from the securities industry and suspended Katherine Moore from acting in a principal capacity for 90 days, fined her \$50,000 and ordered her to requalify before acting as a general securities principal.

The other individuals disciplined are:

- Seth Botone, formerly a registered representative at Barron Moore, who was charged with selling over 6.5 million shares of unregistered stock of iStorage Networks, Consolidated Sports Media Group, Inc. and Structures USA, Inc. on behalf of four customer accounts. Botone failed to respond to the charges and a FINRA hearing officer issued a default decision barring him from the securities industry.
- Benjamin Centeno and Jeffrey Santohigashi, both formerly registered representatives at Midas Securities, who served as brokers for the same customer and sold 760,000 unregistered shares of iStorage Networks on behalf of that customer. Centeno was suspended from association with any firm for 30 days and fined \$10,000. Santohigashi was suspended from association with any securities firm for 20 days and fined \$10,000.
- William Kassir, Jr., formerly a registered representative at Milestone Group Management, who was charged with selling 227,000 unregistered shares of iStorage Networks on behalf of one customer. Kassir was suspended from association with any firm for 30 days and fined \$10,000.

- Paul Casella, formerly the compliance officer and manager at Milestone Group Management, who was charged with failing to supervise a registered representative who sold unregistered securities of two issuers, including iStorage Networks. Casella did not respond to the charges and a FINRA hearing officer issued a default decision suspending him from association with any FINRA - registered firm for one year and fining him \$50,000.
- Joshua Lankford, formerly a registered representative at Barron Moore, who consented to the imposition of a bar from the industry resulting from his failure to provide documents and testify in FINRA's investigation.

In settling these matters, Barron Moore, Katherine Moore, Lankford, Centeno, Santohigashi, and Kassar neither admitted nor denied the charges, but consented to the entry of FINRA's findings.