

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014043542411**

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

RE: Michael David Tannen  
Former Registered Representative  
CRD No. 2293382

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Michael David Tannen entered the securities industry in October 1992 and was first registered as a General Securities Representative on March 2, 1993. From October 31, 2013 to June 5, 2015, he was registered as a General Securities Representative with Global Arena Capital Corp. ("Global Arena" or the "firm"), working at its branch office located at 1350 Sixth Avenue and, later, 880 Third Avenue, New York, NY (the "Sixth Avenue Branch").

Although Tannen is no longer associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of the FINRA By-Laws.

**OVERVIEW**

During the period November 2013 to June 5, 2015 (the "relevant period"), Tannen made material misrepresentations and omitted material facts in connection with certain securities transactions, churned and excessively traded customer accounts, and made unsuitable recommendations of securities. He thereby willfully violated Section 10(b) of

the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder, and violated FINRA Rules 2020, 2111, and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

#### **Facts**

##### *The Sixth Avenue Branch of Global Arena*

Global Arcna was a retail broker-dealer with offices in New York and Florida. The firm filed an application to withdraw from FINRA membership on June 5, 2015 and is no longer in business. On July 20, 2015, FINRA cancelled its registration.

On October 24, 2013, Global Arena opened the Sixth Avenue Branch to register certain brokers who had been discharged by another FINRA member firm where Tannen was also employed. Shortly thereafter, Tannen joined the Sixth Avenue Branch. The Sixth Avenue Branch's business model involved daily calls to thousands of potential and existing customers, including senior citizens, to make solicited recommendations of securities. The branch typically charged its customers a 3.9% markup or markdown per trade, which meant that a customer would pay 7.8% on the purchase and sale of a single security.

##### *Tannen's Misconduct*

During the relevant period, Tannen made material misrepresentations and omitted material facts in connection with certain securities transactions he recommended to customers. For example, he made baseless predictions that junk bonds would be called or bought back at par. He also made specific price predictions about certain securities without a reasonable basis for doing so.

Tannen also instructed junior brokers on his team, often recent college graduates, to cold call potential customers from lead sheets and recommend junk bonds using information from sales scripts that contained misleading statements and omissions. He also instructed the junior brokers on the use of misleading and high-pressure "rebuttals" when customers expressed reservations about purchasing recommended securities.

Tannen also churned and excessively traded multiple customer accounts over which he exercised de facto control in order to generate commissions and markups. Tannen's recommendations to these customers were also unsuitable, and misleading, because the extremely high level of trading, combined with the significant fees charged, made it virtually certain that the customers would lose money over time, which most did.

#### **Violations**

Section 10(b) of the Securities Exchange Act makes it unlawful for any person to employ "any manipulative or deceptive device or contrivance in contravention of such rules and

regulations as the Commission may prescribe.”

Rule 10b-5 of the Exchange Act makes it unlawful for any person directly or indirectly, in connection with the sale or purchase of any security, to: (a) “employ any device, scheme, or artifice to defraud,” (b) “make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made ... not misleading,” or (c) “engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.”

FINRA Rule 2020 is similar to Rule 10b-5 and provides that a member may not “effect any transaction in, or induce the purchase or sale of, any security by any manipulative, deceptive or other fraudulent device or contrivance.”

FINRA Rule 2010 provides that a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

Material misstatements and omissions in connection with the sale or purchase of any security violate Section 10(b) and Rule 10b-5 as well as FINRA Rules 2020 and 2010.

Churning also violates Section 10(b) and Rule 10b-5 of the Exchange Act, and FINRA Rules 2020 and 2010. Churning occurs when a broker buys and sells securities for a customer's account, without regard to the customer's investment interests, for the purpose of generating commissions.

FINRA Rule 2111 requires that associated persons have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer. The associated person must have a reasonable basis to believe, based on reasonable diligence, (i) that the recommendation is suitable for at least some investors; (ii) that the recommendation is suitable for a particular customer based on that customer's investment profile; and, (iii) that, for accounts over which the associated person has actual or de facto control, a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile.

As a result of the conduct described above, Tannen willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and violated FINRA Rules 2020, 2111, and 2010.

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

- A bar from associating with any FINRA member.

The sanction imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that this settlement includes a finding that I willfully violated Section 10b and Rule 10b-5 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes me subject to a statutory disqualification with respect to association with a member.

## II.

### WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

**III.**

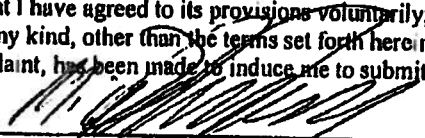
**OTHER MATTERS**

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it

08/20/2015  
Date (mm/dd/yyyy)

  
Michael David Tannen, Respondent

Reviewed by:



Bob E. Lehman  
Counsel for Respondent  
Lehman & Eilen LLP  
Suite 505  
Uniondale, NY 10005  
(516) 222-0888

Accepted by FINRA:

9/14/15

Date

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



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